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General

Sports Commission Silent on USSR, DPRK Stance

HK120342 Hong Kong AFP in English 0326 GMT
12 Jan 88

[Text] Beijing, Jan 12 (AFP)—China declined to comment Tuesday on a decision by the Soviet Union to participate in the 1988 Olympic games in Seoul and North Korea's announcement that it will boycott the event.

State Sports Commission Spokesman Wan Boxiang told AGENCE FRANCE-PRESSE over the telephone Tuesday: "It is the Soviets' own affair to participate in the Seoul Olympics. We do not want to make any comment."

The Soviet National Olympic Committee released a statement Monday in Moscow saying they had "decided to accept the invitation" of the International Olympic Committee (IOC) to participate.

Mr. Wan also said that North Korea's decision to boycott the games was "its own affair."

North Korea announced Tuesday that it would not participate in the Olympics unless an agreement was reached on its co-hosting the event with South Korea. Seoul has rejected the idea.

East European sources here said recently that China had told North Korea in November that it would participate in the Games, even if Pyongyang staged a boycott.

China has said that it will announce its decision by January 17, the IOC deadline for entries.

Western diplomats here said China would almost definitely take part in the Games, despite the fact that it does not have diplomatic relations with South Korea.

China, which will host the 1990 Asian games, hopes to host the Olympic in the year 2000, sources here have said.

UN Forecasts 'Precariously Unstable' Economy

OW120130 Beijing XINHUA in English
0052 GMT 12 Jan 88

[Text] United Nations, January 11 (XINHUA)—Lower rates of growth, major trade and financial imbalances, growing debts, and unsteady exchange rates have combined to create a "precariously unstable" situation for the world economy in 1988, a United Nations Secretariat report said today.

The report said the world economy at the end of 1987 was marked by instability and weakening aggregate demand.

"The great imbalances in the world economy persisted and resulted serious turmoil in financial markets towards the end of the year," it noted.

The trade imbalances among the world's largest economies reached record levels during 1987 and the debt problems of the developing countries were not much closer to resolution, the report said.

The combined gross domestic product of the developing countries other than China grew by only 2 percent in 1987 after a growth rate of slightly above 3 percent in 1986, according to the report.

It attributed the slow-down to the virtual stagnation of the energy exporting countries and the adversities in Brazil and India, two of the larger developing economies.

The report pointed out that "China, on the other hand, continued to be one of the fastest growing economies in the world."

Tables in the report indicate that China topped the world in the GDP growth rate in 1987 by registering a 10 percent increase in net material product, compared with 2.7 percent for the United States, 3.5 percent for Japan and Eastern Europe, and 6.5 percent for Pakistan.

China's comparable figure in 1986 was 7.4 percent, next only to 8 percent for Brazil.

For the centrally planned economies as a whole, net material products slowed in 1987, it noted.

The year of 1988 is likely to see a world output growth of 3 percent below the previous 2 years, and international trade will probably grow by 3 percent. This will delay a solution to the debt problem further into the 1990s, the report said.

Under such conditions, the international financial system will remain in a precarious state and a new shock would cause a widespread recession in the industrial world in the months ahead, the report warned.

UN Secretary General Javier Perez de Cuellar, in a brief note on the report, said if some of the negative tendencies are not reversed, the developing countries as a whole might experience a further decline in their per capita income in 1988.

The countries that "most influence the world economy" have a "special responsibility" to take urgent action to reduce the present imbalances and the corrosive instability in exchange markets and interest rates, he stressed.

United States & Canada

'News Analysis' of Status of U.S. Dollar

OW111405 Beijing XINHUA in English 0737 GMT
11 Jan 88

[*"News Analysis: Dollar Shows Signs of Regaining, but Remains Uncertain (By Li Zongyang)"—XINHUA headline*]

[Text] London, January 10 (XINHUA)—The joint intervention of central banks of seven industrial nations has pushed up the dollar in first trading week of the New Year, but the greenback is still clouded by uncertainties.

During the first trading week in London, the U.S. dollar has gained all the way eight pfennigs and 8.4 yen against the West German and Japanese currencies from its all-time London closing lows of 1.5710 marks and 120.90 yen.

The more than 5-percent bounce in the value of the dollar in the opening week of 1988, something rarely seen recently, has surprised the jittery world currency markets.

It was the intervention of the Western central banks, especially that of the United States, that played the conjurer's trick. The U.S. Federal Reserve Board (FED) came out to support the Bank of Japan and the West German Bundesbank in buying dollars after months of standing on the sidelines. In recent months, the central banks' actions have had little effect in propping up the U.S. dollar due to lack of the FED's involvement.

Some analysts say the FED's action last week placed for the first time firm support behind the Group of Seven's pre-Christmas agreement which said further decline in the U.S. currency would be counter-productive.

"They were out for blood" by spending heavily to drive the dollar up, one analyst was quoted as saying.

There are now even talks following last week's central bank intervention that "the dollar may be in the final phase of its three year decline."

But more people believe it could only prove that the central banks have won a little breathing space in their long-term battle, which has made the Group of Seven countries' official reserves at least double their level at the end of 1985, to foster the dollar.

According to the latest figures, both Japan and Britain's foreign currency reserves doubled last year to 81.5 billion and 44.3 billion dollars respectively as a result of the central bank intervention.

People doubt especially how much the FED could spend further and how far it could go for market intervention this year as its ability to buy dollars might be constrained by fears of pre-election rise in interest rates and recession.

Analysts say the immediate prospects for the world's main exchange rates are still dimmed by uncertainties over the intentions of policymakers, mainly those in the United States.

The key to longer-term exchange market stability still lies in visible improvement in the U.S. economy, the world's largest industrial market economy.

Also the underlying economic fundamentals, especially the trade imbalance between the United States on the one hand and Japan and West Germany on the other, have not changed.

The market is still very skeptical, as the U.S. Government still has not done enough to defend the dollar and continues to buy more abroad than it sells, creating current account deficits, which are expected to decline only slowly.

For this, January 15 has been regarded as a key date when the American trade figures for the month of last November are to be announced.

An analyst said the deficit figure should be scaled down to 15 billion dollars or lower to calm the dollar [words indistinct] traders would continue dumping the U.S. currency.

The dollar is also affected by the stock market prospect as seen in last Friday's sudden fall in Wall Street's share prices by 140.58 points, the third largest single day fall in its history.

As the share prices declined, the dollar slipped in New York from 130.15 yen to 128.35 yen and from 1.6565 deutsche marks to 1.6385 marks.

The new Wall Street crash has almost reversed the positive market response to the co-ordinated campaign by central banks to support the dollar and will definitely add to the uncertainty.

People on currency markets are now obviously frightened to sell and nobody wants to buy, and many institutions are also not expected to start making large investments in the dollar, even short-term ones, under the current circumstances.

There are signs that worries are intensifying as Nigel Lawson, Britain's chancellor of the exchequer, said recent events have reinforced his determination to press a plan for a system of "managed floating" of exchange rates to secure greater worldwide stability.

But as the required fundamental change looks no closer at the beginning of 1988 than it did at the end of 1987, any hope for exchange rates stability would remain dim.

Correction to Commentary on Reagan's Tasks

The following correction pertains to the item headlined "Commentary on Reagan's Tasks in Last Year", published in the 11 January China *Daily Report*, page 1: Page 1, second column: ...make subslug read [Commentary by reporter Li Yanling (2621 1693 1337): "The Last Year of Reagan's Tenure"]...(correcting name of commentator, providing STC's)

Soviet Union

USSR Decides to Take Part in Seoul Olympics

OW111437 Beijing XINHUA in English
1318 GMT 11 Jan 88

[Text] Moscow, January 11 (XINHUA)—The Soviet National Olympic Committee decided today to attend the games of the 24th Olympiad due to be held in Seoul this summer.

According to the official Soviet News Agency TASS, "Guided by the Olympic ideals and the interests of strengthening the unity of the international Olympic movement and setting great store by the role of the games in improving mutual understanding among nations and enhancing world peace," the National Olympic Committee (NOC) of the Soviet Union decided to accept the invitation from the International Olympic Committee (IOC) to take part in the games.

Meanwhile, the Soviet National Olympic Committee supports the proposals of the Democratic People's Republic of Korea about holding the Olympic games in the North and South of Korea.

The committee said the proposals "correspond to the spirit of the Olympic charter and the Olympic ideals to the fullest degree."

WEN WEI PO Carries Gorbachev Interview

HK120208 Hong Kong WEN WEI PO in Chinese
11 Jan 88 p 3

["Special Feature": Article by LIAOWANG OVERSEAS EDITION contributing correspondent Tang Xiuzhe (0781 0208 0772): "Gorbachev Answers Chinese Reporter's Questions"—part 1]

[Text] CPSU General Secretary Gorbachev was interviewed by a contributing correspondent of LIAOWANG OVERSEAS EDITION just before the new year. He spoke on the international situation, Soviet-U.S. relations, and Soviet reforms and other issues. The interview went as follows:

Question: Reviewing the international situation in 1987, what encouraging developments do you see? And what problems cause concern? What hopes do you have for next year?

Gorbachev: Nuclear physicists have given the following description of the current state of the world: The hands of the doomsday clock are nearly at 12, illustrating how dangerously mankind is approaching its last hour. The picture they describe is sombre, but it also shows people's ever-growing worries.

If we apply this picture to evaluate the year that is just ending, then I think it could be said the hands of the clock have gone back a little from the moment of danger, although it is too early to say that those hands have started to turn in a different direction.

I refer first to the results of the Soviet-U.S. summit in Washington. This meeting attracted worldwide attention and was without doubt of historic significance. For the first time an accord was reached on eliminating two types of nuclear missiles, thus initiating real disarmament and opening up prospects for drastically reducing the principal nuclear weapons—strategic nuclear weapons.

All this was possible because gradual changes have taken place in the psychological and mental outlook of the world's people. All kinds of factors are at work here. Among these factors, we obviously are entitled to highlight the contributions made by world socialism in stimulating the whole of mankind to advance toward making international relations healthy and normal, and these contributions are directly linked to profound changes, reforms, and innovations, and to all the characteristics of the development of socialism today.

It just happens to be socialism that has opened up the prospects for building a world free of large destructive nuclear weapons to replace the outmoded and dangerous concept of nuclear deterrence. It is no coincidence that the two great socialist countries, the Soviet Union and China, have both unilaterally undertaken the obligation not to be the first to use nuclear weapons.

Generally speaking, it can be said the changes in the entire political atmosphere are the most important fruit of the past year.

Of course, if we are to make a realistic evaluation of the situation, it should be said that this is the first pile of bricks that will pave the way for making a really safe world, and we have to surmount many other obstacles on this path. And the main obstacle is the restriction of outmoded thinking, which believes the strength of a country can be demonstrated by how many weapons it owns. The main obstacle lies in carving up the world into spheres of influence between the "affluent" West and the

"poor" South. There are also corresponding regional conflicts. The Soviet Union stands for settling these conflicts justly and politically, regardless where the conflicts occur.

It is a fact that the obstacles are huge and the problems serious. However, in the year that is about to pass, there was a strong and positive motivating force stimulating progress in international relations, and this provided the possibility for some progress in the entire issue of limiting and eliminating weapons of all types—nuclear weapons or space weapons, chemical weapons or "conventional" weapons. All our advocacy is for reaching these goals. Of course, we look to the PRC to cooperate with us in this respect, because many things in world affairs are decided by China's policies.

Question: How do you see the prospects for developing Soviet-U.S. relations? What are the development trends in East-West relations?

Gorbachev: We hold that a turn for the better has appeared in the prospects, since the Soviet Union and the United States have held their third summit, which was fruitful. The Americans have a better understanding of the essence of our policies, of our sincere hopes, and of the meaning and aims of our reforms. They have also directly felt the reality of Soviet society and our respect for the American people. All this is the foundation for hope for the future.

We have by no means simplified matters. The Soviet Union and the United States belong to different social systems. Their relations are part of a broader and multifaceted relationship between these two systems or, as some people sometimes say, between East and West. The two countries have their own unique historical experiences, and each "believes in" its own ideology and life style. Each has its own allies and maintains ties with the broadest spectrum of countries, and first with countries with similar social systems.

However, what is important in our age is that we should not turn these differences and contradictions into excuses for provoking conflicts and use them to defend those conflicts; this is one of the important principles for the new thinking. It should be more so today because the on-going reform, democratization, and openness in the socialist world have created favorable conditions for East-West contacts, making it possible that their mutual relations will turn a new leaf.

The Soviet Union and the United States are sometimes called "superpowers," but people do not agree to the implications of this term. It is a fact that we understand our own international responsibilities, but we cannot say that everything in the world, including East-West relations, can only be determined by Moscow and Washington. The new political thinking we are following rejects the unwise old convention that if you maintain good relations with someone, this is bound to be at the

expense of someone else. The world today demands following a different kind of ethic and other principles. This convincingly shows that today it is impossible to formulate long-term policies at the expense of others, and it is essential to seek a balance of interests. We should not be in confrontation with someone but should pursue balance of interests together with everyone. This is arduous but it is the only correct road leading to universal security and equality and cooperation.

Question: What are the main achievements of your reforms? What problems have you encountered? How do you propose resolving these problems?

Gorbachev: The period that the Soviet Union is in today can be called an epoch-making period. We have opened wide the window to let in the fresh air of reform. A new ideological and ethical atmosphere has appeared in our society, people's enthusiasm is growing ever greater, and they are displaying ever greater drive. The party's intelligence has been brought into greater play.

We have formulated a theoretical and political program for reform. The main points of this program are democratization and the carrying out of fundamental economic reform. We took the opportunity of celebrating the 70th anniversary of the Great October Socialist Revolution to make a more all-round evaluation of our past, thereby absorbing the lessons. We also considered the reforms. We hold that reform is a logical stage of development that must inevitably be traversed in making the transition to modern organizational forms of socialist society.

Of course, various difficulties have cropped up, and they will continue to do so in the future. Many of these difficulties are caused by contradictions during the initial stage of reforms which is, by nature, a transition stage. Inertia, the habits of thinking out problems and doing things according to the old conventions, the unwillingness of certain people to keep abreast with the pace of the age, fear of losing special privileges, and so on—all these things play a bad role. These problems also find expression in Leftism and rashness; people look to completing the whole effort in one day, and if this does not succeed, they get into a panic, do not know what to do, and become pessimistic and lose hope. The party has made a clear evaluation of these phenomena. Conservatism and the method of overstepping stages are two sides of one mode. They are objectively playing the role of acting as a drag, and will lead to a revival of the method of issuing administrative commands.

Reform has now entered a new stage. Businesses have to be responsible for their own profits and losses, and they have to raise the capital they need and make their own decisions, and the economic setup must also change the interrelationship between all its links accordingly.

These changes involve the interests of the great majority, and actually involve the interests of all laborers. Carrying out these changes means doing away with social

concepts which erroneously believe that socialism is some sort of egalitarianism. As such, there is only one way to accomplish the set missions and let the masses take part in management directly, make decisions, and supervise.

The party has to make decisions on many, many things. The party itself must be seriously reformed so that party organs will not take the place of state and economic organs and will change their way of work. These issues shall be resolved in the national conference of party representatives scheduled for the summer of 1988.

Developing according to conditions in Soviet society, the ongoing reforms aim at reforming society. Our reforms objectively benefit the entire international community, just as the economic developments and social progress achieved by the peoples of the world benefit us.

I should like to take this opportunity to say that we are highly interested in the economic and political reforms which are going on in China. The problems our two countries are dealing with are similar, and this provides broad prospects for us to exchange our experiences for a useful purpose.

China is our neighbor. We are satisfied with the continually-developing and mutually-beneficial cooperation between the two countries in the economic, cultural, scientific, educational, and sports fields. A smooth start has been made in the Soviet-Chinese border talks. We are also carrying on a political dialogue. We hold that a Soviet-Chinese summit can become a logical development of this dialogue. Judging by various conditions, whether it be one side or the other, both feel the objective need for this kind of meeting. So long as we concert our efforts, we will be able to find a mutually acceptable solution. This we believe.

In conclusion, may I wish the Chinese people and their leaders success in carrying out the magnificent projects set forth by the 13th CPC National Congress. I also wish them happiness, peace, and health in the new year. (end of text of interview)

XINHUA on Interview

*OW101620 Beijing XINHUA in English
1600 GMT 10 Jan 88*

[“Gorbachev: Political Climate Change Most Important for 1987”—XINHUA headline]

[Text] Beijing, January 11 (XINHUA)—Soviet leader Mikhail Gorbachev, in an exclusive interview with a leading Chinese weekly published here today, described change of the overall political climate as “the most important achievement” for 1987.

He told the Beijing-based “outlook” news weekly in Moscow that the December 8-10 Soviet-U.S. Summit led to an agreement on eliminating two categories of nuclear arms. But he admitted it was only “first bricks” for building a genuine security the world over.

Gorbachev believed the accord has opened prospects for drastically reducing strategic nuclear arms. But, he said, many obstacles on the way remain to be overcome.

The main obstacles are outdated thinkings which ignore an increasingly wide gap between the “rich” West and the “poor” South, divide the world into spheres of influence and believe a nation’s strength is represented by the number of weaponry, he said.

The Soviet leader said Moscow favored a just political solution to regional conflicts no matter where they are taking place.

On Soviet-U.S. Relations, Gorbachev said the future will turn for the better following his December meeting with President Ronald Reagan in Washington which has produced positive results.

But Moscow does not simplify things, he said. The Soviet Union and the United States are under two different social systems and their relationship is part of a wider and multiple relationship between the two systems, or between the East and the West, he added.

Gorbachev stressed the importance, at the present time, of not turning differences and contradictions into pretexts with which to provoke conflicts and use them to justify such acts. This is an important principle in the new thinkings, he said.

The socialist world is endeavoring for reform, democratization and openness, he said, adding this will create favorable conditions for contacts between the East and the West and make it possible to see a new page in East-West relations.

No long-term policy should be worked out today at the expense of others and the balance of interests must be sought, he said.

Confrontation with nobody but attempts to seek a balance of interests together with all are a rough road but the only one leading to universal security and cooperation on an equal footing, he said.

Asked about achievements and problems in the ongoing Soviet reform, the Kremlin leader said metaphorically that the Soviet Union is in an “epoch-making” period, when doors and windows are open for “fresh air of change.”

Moscow has worked out an ideological and political program for reform, characterized by democratization and fundamental economic restructuring, he said.

He believed that for a socialist society undergoing the transition into a modern form of organization, reform is an inevitable stage in conformity with laws of historical development.

Gorbachev predicted there will be difficulties during the future course of reform as there have been. He attributed them to contradictions in the transition period or the initial stage of reform.

Inertia, stereotype, and fear of losing privileges have played negative roles as leftist thinking and rashness for premature advance have done, he said. Many problems will be dealt with at this summer's all-union conference of the Soviet Communist Party, he declared.

The reform, now progressing in line with Soviet realities, aims to bring about social changes, he said.

The Soviet leader took great interest in China's political and economic restructuring and wished it a success. Similar problems are facing the two countries and this creates opportunities for swapping experiences between them, he added.

Beijing TV on Interview

OW111354 Beijing Television Service in Mandarin
1100 GMT 11 Jan 88

[Announcer-read news report]

[Text] LIAOWANG weekly today carries the answers Gorbachev, general secretary of the CPSU Central Committee, gave on 28 December 1987 in response to questions raised by LIAOWANG contributing reporter Tang Xiuzhe concerning the international situation, Soviet-U.S. relations, and reforms in the USSR.

Touching on the international situation in 1987, Gorbachev said: The change in the entire political atmosphere was the most important achievement of the year. First was the Washington meeting between Soviet and American leaders. In that meeting, the first accord on eliminating two types of nuclear missiles was reached, thus initiating a real disarmament and opening up prospects for drastically reducing the principal nuclear weapons—strategic nuclear weapons.

The reporter asked what kind of progress the USSR has achieved in its reform, what kinds of problems it has encountered, and how it will solve these problems. Gorbachev replied: The period the USSR is in today can be called an epoch-making period. We have opened wide the windows to let in the fresh air of reform. We have formulated a theoretical and political program for reform. The main points of this program are democratization and carrying out fundamental economic reform. He said: Of course there are all sorts of problems, and there will be more problems ahead. Many of the problems are caused by contradictions during the initial stage which is, by nature, a transition period.

Sino-Soviet Summit Said Being Considered

HK120327 Hong Kong SOUTH CHINA MORNING
POST in English 12 Jan 88 pp 1, 2

[From Marlowe Hood in Beijing]

[Text] China is seriously considering the latest overture by Soviet leader Mr Mikhail Gorbachev for a summit between the two communist giants.

In an interview which appeared yesterday in both the domestic and international editions of the magazine OUTLOOK WEEKLY, Mr Gorbachev described a summit with Chinese leader Mr Deng Xiaoping as the logical development of recent Sino-Soviet talks.

"Viewed from all aspects, no matter whether from this side or the other, we all feel the objective need of holding such a summit," the Soviet leader said during the interview conducted in Moscow on December 28.

"So long as we co-operate, we will be able to find the solutions acceptable to both sides. We believe in this point."

The interview appeared amid numerous signs of improving relations between the two communist powers, bitter antagonists for most of the past 30 years.

The publication of Mr Gorbachev's comments in China's leading news weekly with no added commentary suggests that Chinese leaders are actively exploring the possibility of a meeting.

The move comes amid growing signs of vastly improving Sino-Soviet relations which cooled in the early 1960s over ideology and foreign policy differences.

There appears to be a concerted effort by the Soviets to try to resolve Vietnam's occupation of Cambodia and the signs are that the Kremlin is gearing up for a pull out of Afghanistan this year.

These have been two of the major stumbling blocks to any attempts to normalise relations between the two.

There are additional signs of closer ties. Across the border trade has increased several fold since 1980, much of it in barter, allowing China to keep its precious foreign currency.

The State Council has provisionally approved a plan to designate three cities in the northwest as special economic zones, including Urumqi and Xining, in part to attract Soviet investment and trade.

The interview was conducted by the NEW CHINA NEWS AGENCY's [NCNA] Moscow bureau chief, Mr Tang Xiuzhe.

Chinese leaders have moved to a more even-handed approach to the U.S. and the Soviet Union than in the early 1980s, when "Soviet hegemonism" was called the primary threat to Chinese and international stability.

Mr Deng may now feel that it will be to China's advantage to equalise the triangle, a move that would place more pressure on the U.S. in key bilateral issues such as technology transfer and arms sales to Taiwan, analysts said.

Significantly, Mr Gorbachev's optimistic assessment of Sino-Soviet relations and the chances of a summit were omitted from the NCNA story that appeared on the inside pages of China's major dailies, including the PEOPLE'S DAILY, ECONOMIC DAILY, BEIJING DAILY AND GUANGMING DAILY, and radio reports yesterday.

This suggests that, while the Chinese are serious about such a meeting, they do not want to seem overly eager, according to analysts.

If Mr Deng, who has rejected similar overtures from Mr Gorbachev in the past year, was not willing to entertain the possibility of a summit, then the crucial passage in the Gorbachev interview would have been stricken from the magazine as well.

"China is a neighbour," begins that portion of the interview found only in OUTLOOK WEEKLY.

"We are satisfied with the mutual, beneficial co-operation in the fields of economics, culture, science, education and sports.

"There has been a smooth start of the Sino-Soviet border talks. We are engaged in political talks. We believe a Sino-Soviet summit can be the logical development of such talks."

The last meeting between Supreme Soviet and Chinese leaders occurred in 1958, when Soviet leader Mr Nikita Khrushchev made a secret trip to Beijing to criticise Mao Zedong for the Great Leap Forward and other Chinese policies frowned upon in Moscow.

The summit was a failure and led to an acrimonious split in diplomatic relations.

Even statements in the Gorbachev interview which appeared to have no direct bearing on improved Sino-Soviet relations were nonetheless directed towards that goal, a careful reading suggests.

The Soviet leader referred to "world socialism"—presumably including China—as "having contributed to the promotion of healthy and normal international relations", and as the main hope for a world without nuclear arms.

"The two great socialist states, the Soviet Union and China, have independently committed themselves to a 'no first strike' policy. This is not accidental," Mr Gorbachev said.

While praising progress made at the recent summit with U.S. President Ronald Reagan, he described it as only the "first brick" in building genuine world security.

The obstacles facing Sino-U.S. relations were far more serious than between the Soviet Union and China, he suggested.

"The Soviet Union and the U.S. operate under two different social systems," Mr Gorbachev said, clearly implying that the similarity in political and social structure between China and the Soviet Union should make rapprochement easier.

In answer to a question regarding the problems and obstacles to Soviet domestic reforms, Mr Gorbachev listed achievements and obstacles that echoed the Chinese experience in almost every regard. (There were three questions in all—the other two addressed world trends in the past year and near future, and U.S.-Soviet Relations).

He made it clear that Moscow could learn a few things from its erstwhile pupil, a notion sure to flatter Chinese leaders.

Achieving reform and restructuring means "abolishing the erroneous idea that socialism is egalitarianism", said Mr Gorbachev.

This is word-for-word one of Mr Deng's favourite dictums.

"We must also stop the practice of the party replacing state and economic organs," continued the Soviet leader, taking up another banner of Chinese reform: separation of party and government.

Chinese leaders are still deeply suspicious of Soviet intentions, both internationally and in bilateral relations, analysts are quick to point out. But one cannot ignore the evidence that significant progress has been made in the past two years.

Mr Gorbachev's first initiative came in his now famous Vladivostok speech of July 1985, when he called for an end to acrimony and offered a specific concession to a long standing border dispute as a gesture of sincerity.

Since then, regular border and normalisation talks have resulted in stepped up trade, minor border agreements and a host of cultural and scientific exchanges.

China has long identified three obstacles to normalised relations with the Soviet Union: the presence of Soviet troops in Afghanistan, the tense situation along the

militarised Sino-Soviet border, and the Vietnamese occupation of Cambodia. Vietnam is widely regarded as the Soviet Union's client state.

After several years of a rigid status quo, significant changes have occurred on all three fronts.

Mr Deng said last year that he would meet Mr Gorbachev "anywhere in the Soviet Union" if Vietnam withdrew all its troops from Cambodia.

He has since proposed the far more flexible condition that the "Soviet Union must encourage Vietnam to withdraw."

The recent diplomatic initiatives of Prince Norodom Sihanouk, who heads the anti-Vietnamese government-in-exile and works in close concert with Chinese leaders, suggest that China is exploring the possibility of a negotiated settlement.

Prince Sihanouk met his sworn enemy Mr Hun Sen, the Prime Minister of the Vietnam-backed regime in Phnom Penh, in France last month. They issued a statement promising further talks, but Prince Sihanouk disavowed the document within a week, describing Mr Hun as "Vietnam's lackey".

However, he has since publicly rescheduled a meeting with Mr Hun Sen.

The statement last week by Soviet Foreign Minister Mr Eduard Shevardnadze that the Soviet Union was prepared to pull out of Afghanistan by the end of the year has been received with unusual enthusiasm in the Chinese press.

"All signs point to the fact that the Soviet Union really intends to free itself and end its eight-year occupation of the war-torn Muslim Asian country," read a signed NEW CHINA NEWS AGENCY commentary yesterday.

The last of China's three obstacles—the heavy Soviet military presence along the Sino-Soviet border—has been under discussion in a series of talks over the past two years. They have produced steady, if modest, progress.

Condition for Summit Given

HK120456 Beijing XINHUA in English
0448 GMT 12 Jan 88

[Text] Beijing, January 12 (XINHUA)—A Chinese Foreign Ministry spokesman said here today that Chairman Deng Xiaoping had made quite clear the condition for a high level meeting between China and the Soviet Union.

"At present, it is the strong hope of the international community that Vietnam will withdraw all its troops from Kampuchea promptly," he said.

The spokesman made these remarks when asked by foreign journalists here to comment on an interview the Chinese weekly "OUTLOOK" recently had with Soviet leader Gorbachev, during which Gorbachev again mentioned the summit.

Ryzhkov To Explain Submarine Intrusions

OW120221 Beijing XINHUA in English
1508 GMT 11 Jan 88

[Soviet Premier Begins Nordic Trip Aimed at Renewed Peace Offensive (By Tang Xiushan)]—XINHUA headline]

[Text] Moscow, January 11 (XINHUA)—Soviet Premier Nikolay Ryzhkov left today for Sweden and Norway on a one-week visit which observers here said is part of Moscow's post-INF treaty peace offensive and an effort to create a peace zone in the Arctic.

Ryzhkov's two-nation Nordic tour comes at a time when NATO is reportedly preparing for deployment in Western and Northern Europe of more sea-launched and air-borne cruise missiles, a move Moscow describes as an attempt to "compensate for" the removal of American and Soviet intermediate-range nuclear missiles (INF).

Moscow-inspired fear that the results of the INF treaty now face the risk of being neutralized, seems also to be evident in a scheduled West European tour by Soviet Foreign Minister Eduard Shevardnadze, who will visit Federal Germany and Spain later this month.

According to the official press here, in a related effort, the Soviet premier's Nordic trip will aim primarily at promoting Soviet leader Mikhail Gorbachev's proposals last October for scaling down military activities in the Arctic.

Gorbachev proposed at the northern port city of Murmansk to reduce military activities in the Arctic by both Warsaw Pact and NATO countries and turn the region into a peace zone.

The Soviets clearly know better than to believe that the idea of a nuclear-free, secure Northern Europe will be realized easily. Still, Moscow cannot hesitate to jump at the opportunity when it sees that all the Nordic nations, despite their different positions, show interest in European peace and all-Europe cooperation.

The Soviet Union also believes that it would give an impetus to the disarmament process in Europe as a whole if Gorbachev's proposals are carried out.

Ryzhkov's stay in Stockholm apparently is the most important part of his Nordic visit. Moscow makes no attempt to hide its appreciation of the role of Sweden, a small nation, in exerting influence on big powers, in

preventing war and promoting nuclear disarmament, a foreign policy Prime Minister Ingvar Carlsson has inherited from his predecessor Olof Palme.

But the Soviet premier will have to try to clarify to the Swedes the alleged repeated intrusions into Swedish territorial waters of Soviet submarines.

Ryzhkov and the two countries' leaders will seek in their talks new forms of economic cooperation, as two-way trade between Moscow and the Nordic countries has been in decline over the past two years. A number of documents on such cooperation will be signed.

The Stockholm talks will also cover the issue of delimiting an economic zone in the Baltic between the Soviet Union and Sweden. In Oslo, the leaders will discuss issues concerning the continental shelf.

Northeast Asia

Renovation Begins on PRC Monument in Japan

OW111147 Beijing XINHUA in English
0701 GMT 11 Jan 88

[Text] Tokyo, January 11 (XINHUA)—The city government of Nagasaki in Japan today began to renovate the peace statue "Chinese Girl," which was smeared on December 11 last year.

Upon the request of the Nagasaki City Government, the girl statue made of white marble was given to Nagasaki City by China through the China-Japan Friendship Association. However, the statue, which is a symbol of Sino-Japanese friendship and of the two peoples' desire for peace, was roughly smeared at its lower part with red paint.

In order to find a way to clear off the paint, the Construction Department under the government of Nagasaki City made many experiments with original marble slices before finally coming to a feasible way. It is expected that the statue will regain its original features in mid-February.

Southeast Asia & Pacific

'Intellectual' Fang Lizhi Denied Travel Abroad

HK081254 Hong Kong Asia Television Limited
in English 1200 GMT 8 Jan 88

[Text] The Chinese authorities have barred prominent intellectual Fang Lizhi from making two trips abroad. Fang had asked for permission to attend a conference in Hong Kong later this month, and another in the United States in March. Both applications have been rejected.

Thai Official Urges 'Concerted' Trade Efforts

OW120441 Beijing XINHUA in English 1830 GMT
11 Jan 88

[Text] Bangkok, January 11 (XINHUA)—Thai Deputy Prime Minister Chatchai Chunhawan hopes that Thailand and China would make concerted efforts to boost trade and investment.

Speaking at a dinner he gave here this evening in honor of Zhang Wenjin, president of the Chinese People's Friendship Association with Foreign Countries, and his entourage, Chatchai, who is also president of the Thai-China Friendship Association, made this statement.

He said, "Thailand and China should strengthen their cooperation in the fields of trade and investment."

"Thailand," he said, "welcomes investment from China and it is also willing to make joint investment in China."

It was reported that the trade between the two countries totalled more than 500 million U.S. dollars per annum.

The Chinese delegation arrived here on January 8 for a friendly visit.

Near East & South Asia

Roundup on Fighting Round Khost, Afghanistan

OW111343 Beijing XINHUA in English 0904 GMT
11 Jan 88

[Roundup: Afghan Guerrillas Continue Attacking Soviet-Kabul Troops Round Khost, East Afghanistan"—XINHUA headline]

[Text] Islamabad, January 11 (XINHUA)—Afghan resistance forces are continuing attacks on Soviet-Kabul combined forces round Khost City in Afghanistan's Paktia Province bordering Pakistan after the Soviet-Kabul troops succeeded in breaking the siege of Khost.

The Soviet-Kabul troops on January 5 opened the 125-km-long highway from Gardez, provincial capital of Paktia, to Khost City. Military and food supplies were sent to the garrison in Khost which had been sieged by the Afghan Muslim guerrillas.

Latest reports reaching here said Khost is still under the attack of the Afghan mujahidin (holy-war fighters). The Muslim resistance forces have taken up positions on the mountains to block further supplies to the Soviet-Kabul troops there.

The Muslim fighters have constantly launched missile attacks on the Khost airfield and flights of Soviet fighter planes are suspended. Only some helicopters manage to land at the airfield at night.

Further reinforcement of mujahidin has been sent to Khost area to prevent the Soviet-Kabul troops from establishing security posts along the Gardez-Khost highway.

Clashes are continuing between the resistance forces and the Soviet-Kabul troops in the areas of Shamal, Saroti, Wal Markaz and Zadrán along the highway. It is reported that during the past few days, 16 Kabul posts have been destroyed by the guerrillas in those areas.

The Afghan resistance forces have launched several military operations recently in the area between the Afghan capital of Kabul to Gardez. They attacked an enemy convoy along the highway from Kabul to Gardez, destroying seven military vehicles, and closed down the highway from Mohammad Agha to Pul-e-Alam, paralyzing the movement of invading troops.

Meanwhile, the Afghan freedom fighters have stepped up their attacks on the Soviet-Kabul troops in many other provinces in Afghanistan, inflicting heavy casualties and losses on the invaders.

Maulvi Younus Khalis, president of the seven-party Alliance of the Afghan Mujahidin, has pointed out that the lifting of the siege of Khost did not in any way mean defeat for the mujahidin or victory for the Soviet-Kabul troops.

"It is the same situation as the Soviet troops have been in Kabul for the last eight years but they could not conquer Afghanistan till today", an Afghan guerilla commander said.

The Soviet-Kabul military offensive in the Khost area is the biggest one against the Afghan resistance forces during this winter season. They broke the siege of Khost, but suffered about 1,000 casualties and losses of 30 planes and 100 military vehicles.

Informed sources said Kabul is being packed with the Soviet-Kabul troops killed or wounded in the war of Paktia. A large part of the Gardez-Khost highway presented a scene of war with structures of tanks, trucks, armored vehicles and oil tankers scattered along the road.

Geology Minister Holds Talks in India

OW120431 Beijing XINHUA in English 1638 GMT
11 Jan 88

[Text] New Delhi, January 11 (XINHUA)—Chinese Minister of Geology and Mineral Resources Zhu Xun had a 90-minute discussion here today on bilateral relations with Indian Minister for Steel and Mines Makhan Lal Fotedar.

Wide-ranging issues and areas of mutual interest in mining and related fields are understood to have figured in the discussions between the two sides.

It was learnt that during the meeting, the Chinese minister forwarded an invitation to his Indian counterpart to visit China.

Zhu Xun, a mining engineer, is leading a six-member Chinese delegation from the Ministry of Geology and Mineral Resources on an 11-day visit to India.

This is the first ministerial visit from China to India since the eighth round of Sino-Indian border talks was held here last November.

During their stay in India, the Chinese delegation is scheduled to visit a number of iron ore, bauxite and copper mines and research institutions in the country.

Commentary on 'the Palestinian Uprising'

OW111453 Beijing XINHUA in English 1329 GMT
11 Jan 88

["Commentary: Bullets Cannot Settle Palestinian Issue (By Yan Yijiang)"—XINHUA headline]

[Text] Beijing, January 11 (XINHUA)—Accompanied by Israel's repeated shouts of "crack down, crack down", the Palestinian uprising in the Israeli-occupied territories has entered its second month, with 31 Palestinians shot to death, including women and an 11-year-old boy, several hundred wounded and over one thousand arrested.

Despite its doubling, tripling or even more of troops in the territories where 1.4 million Palestinians live, to "restore order", Israel still cannot escape the truth that one cannot possibly be silenced and forced to abide by "order" when his property has been taken away from him.

The anger in Palestinians is produced by looking through the broken windows of refugee camps as Israeli tractors roll over the farmland on which Palestinians used to live. It is learned by listening to grandparents' myth-like stories of how they used to live a peaceful life on the soil, and it is entrenched by having no political rights and no decent property to take pride in.

When the Palestinians have been reduced to mere bodies serving only as "a pool of cheap labour", the anger cannot be quelled by Israeli bullets.

"They cannot bring a soldier for everyone. They beat me, they beat him, but it means nothing," said Asmaa Khroob, a 24-year-old Palestinian woman whose 29-year-old fiancé was arrested in the riots.

Last week, Israeli Prime Minister Yitzhak Shamir tried to appease Egyptian President Housni Mubarak, saying Israel "has improved conditions for Gazans since 1967" when Israel seized the West Bank and Gaza.

The next day however, Britain's minister of state for foreign affairs, David Mellor, after touring Gaza where there are 3,754 Palestinians per square mile, equivalent to the population density of Hong Kong, described conditions there as "an affront to civilized values."

So Israel's policy of restoring a "normal life, even with massive force" is far from sufficient: They must first solve the problem of the "affront" and how can they restore the "normal life" which has never existed?

"We have reached the point where we have nothing to lose," said a Palestinian attorney in Gaza, home to 650,000 Palestinians, 70 percent of whom are classified as refugees by U.N. poverty-level standards.

If Israel maintains that the Palestinian national consciousness and fighting spirit will vanish with the passage of time and, further, that the issue of Palestinian national self-determination can be settled by leaving it unsettled, it is high time they thought about it again.

The younger generation of Palestinians in the territories are more challenging than their parents and look at death as "a chance to become heroes". They shout more pointed and daring slogans such as "down with Israel" and "liberate Palestine."

Another point worth mentioning is that while Israel was intensifying its crackdown on Palestinian demonstrators with its "iron fist" approach last month, the Israeli court resumed the trial of accused Nazi death camp guard John Demjanjak, who is charged with killing many Jews in gas chambers during World War Two.

The conclusion simply remains to be drawn: Just as the Nazi gas chambers failed to wipe out the Jews, Israeli bullets cannot douse the flame of Palestinian resistance.

CPC Delegation Ends Visit to Tunisia

OW102000 Beijing XINHUA in English 1546 GMT
10 Jan 88

[Text] Tunis, January 10 (XINHUA)—A Chinese Communist Party (CPC) delegation, led by Zhu Liang, CPC Central Committee member and head of the International Liaison Department, Sunday wound up an official [number indistinct]-day visit to Tunisia.

Zhu met with Tunisian Prime Minister Hedi Baccouche and discussed with him ways of supporting the Palestinian struggle in Israeli-occupied territories and working for an end to the Gulf war. The prime minister also is secretary general of Tunisia's ruling Socialist Destourian Party (PSD).

On leaving Tunis, Zhu told XINHUA that the CPC and PSD agree on those two problems.

He said both sides also expressed the will to further develop relations between the two political parties and their two countries.

The delegation was to continue its North African tour with a stop in Algeria.

West Europe

Xu Xin Greet Portuguese Military Official

OW111308 Beijing XINHUA in English 1239 GMT
11 Jan 88

[Text] Beijing, January 11 (XINHUA) — Xu Xin, deputy chief of the general staff of the Chinese People's Liberation Army, hosted a banquet in honor of Soares Carneiro, deputy chief of the General Staff of the Armed Forces of Portugal, and his party here tonight.

When they arrived here this afternoon, the Portuguese visitors were greeted by Xu Xin and other high-ranking Chinese officers at the airport.

Zhao, Li Discuss Economic Reform in 1988
HK110950 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 1, 4 Jan 88 pp 3-5

[Article by reporter He Ping (0149 1627): "Zhao Ziyang and Li Peng on Economic Structural Reform in 1988"]

[Text] On the afternoon of 18 December 1987, Zhao Ziyang, general secretary of the CPC Central Committee; Li Peng, member of the party Political Bureau Standing Committee and acting premier of the State Council; and Li Tieying, member of the party Political Bureau and director of the State Restructuring of the Economic System Commission, met with the students of the eighth research class for economic structural reform run by the Central Party School at the Great Hall of the People in Beijing and discussed issues concerning China's economic structural reform. The more than 40 students of the research class are responsible people of various city governments and their economic reform commissions in provinces, autonomous regions, and municipalities and managers of some large enterprises. In their studies, these students had discussed some special issues concerning economic structural reform and political structural reform.

Evaluating the Situation, Weighing the Advantages and Disadvantages, and Making Advances Step by Step
[subhead]

After carefully listening to the reports of the students of the research class, Zhao Ziyang said: According to the central task put forth by the 13th party congress, I think that the contents of economic structural reform in 1988 will remain rich and the pace will not be slow. He pointed out that some overseas people recently misunderstood China's economic structural reform and held that China's reforms were stagnant. This does not square with reality. The fact that the price reforms have not been carried out along the lines of the original general idea certainly does not mean that reform has come to a halt. Viewing the situation now, although price reform is an unavoidable key issue at the center of the reforms, the process of carrying out this reform may last a bit longer than envisaged. This is not only because price reform will create necessary conditions for reforms in other fields, but also because price reform needs certain conditions created by reforms in other fields. So, price reform will be integrated with reforms in other fields and be carried out step by step from an initial stage to an in-depth stage.

Zhao Ziyang said that although no major price reform schemes have been tabled for 1987 and 1988, reforms in 1988 will still be advanced in many other fields. On balance, we should evaluate the situation, weigh the advantages and disadvantages, and advance our reforms in various fields step by step.

The Key Is To Perfect and Develop the Enterprise Management Mechanism [subhead]

Zhao Ziyang said that further perfecting and developing the enterprise management mechanism will be the focal issue in the economic structural reform in 1988. In view of the present conditions, we have prepared the necessary conditions for deepening the reform of the enterprise management system and perfecting and developing the enterprise management mechanism. He emphasized that to invigorate the enterprises and boost their vitality is the starting point and the goal of China's economic structural reform. If this cardinal link is handled well, favorable conditions will be provided for the many other reforms.

Zhao Ziyang said: At present, the rural economic reform is facing a new situation in which a large number of peasants are being shifted from agricultural production to the secondary and tertiary industries due to the development of the commodity economy. This makes it possible to raise the degree of intensive operation in agriculture and will lay a solid foundation for socializing and commercializing agricultural production in an all-round way. When we started the rural reforms, what did we do to make an initial breakthrough? We adopted the method of contracting fields and assigning output quotas to peasant households to arouse their production enthusiasm. At that time, land was scattered to households and the scale of production was conditioned by household operations. However, this led to the development of secondary and tertiary industry in the countryside, which in turn created the conditions for running agriculture on a larger scale, which will achieve higher productivity. The development of things is in line with dialectics.

He said that this is also the case in the industrial enterprises. In general, our enterprises have great potential; this is also acknowledged by some foreigners. The main problem is that their economic efficiency is too low. This is a long-standing knotty problem. The root cause is the equalitarian practice of "eating from the same big pot" and the lack of competitive mechanisms. This also hindered the settlement of other problems. Therefore, we must grasp the link of perfecting and developing the enterprise management mechanism. Of course, invigoration of the enterprises also needs favorable external conditions. If enterprises are invigorated, the conditions for the economic structural reform as a whole will be created and the contradictions in the process of reform will be mitigated to a certain degree. This will not only result in the development of the enterprises themselves, but will also further improve our financial conditions and market conditions and will improve our general economic results, produce more commodities, train more competent management personnel, and gain more useful experience to advance reforms in all fields.

Zhao Ziyang said: As for how to reform the enterprise management mechanism, I think that this should mainly be accomplished by perfecting the contracted management responsibility system. This is an experience we

have gained in the course of repeated practice over the past several years. So long as we work with perseverance and do a good job in perfecting and developing the enterprise mechanisms, a very good situation will emerge in the overall economic structural reform picture.

It Is Necessary To Strengthen Enterprise Management Powers [subhead]

Zhao Ziyang said: From the very beginning, we pursued the contract system according to our needs and conditions in reality rather than according to some theoretical concepts. Now, we find that the appearance of the contract system is not accidental and that there are good theoretical grounds for this system. A major theoretical ground for our enterprise reforms is that the management powers in the enterprises owned by the whole people should be separated from ownership. It should be ascertained here that the separation of management powers from ownership serves the purpose of expanding the enterprises' decisionmaking powers. This is the starting point of this theory.

He pointed out that in our previous economic pattern, the enterprises owned by the whole people are entrusted by the whole people to the government. As we advocate the separation of the management powers from ownership, we mean that the enterprises should not be managed by the government, but should be managed by the enterprises themselves. Therefore, the theory about separating management powers from ownership serves the purpose of expanding rather than limiting the scope of enterprise self-determination in their production and operation. By putting forth this theory, we do not mean to stress the ownership of the enterprise assets, but to strengthen the enterprise management so that the enterprise may really become economic legal entities.

Zhao Ziyang said: What is ownership? What is the management power? We should not view them according to the capitalist pattern in which a family not only owns but also manages an enterprise; instead, we should view the situation in the more mature pattern of capitalism, especially after the appearance of joint-stock companies. Marx expounded this issue by saying that after the appearance of large-scale companies, especially joint-stock companies, the owners of the assets merely had ownership, but the management powers of an enterprise included the powers to possess, control, and use the assets.

He pointed out: The assets of our enterprises are owned by the state, but the management powers of a factory director, who is the representative of his enterprise, should include the powers to possess, control, and use the assets. This is an important issue. Some people worry that after the enterprises have more power to determine their own production and business, they may concentrate on seeking immediate benefits, indulge in some shortsighted behavior, and may not cherish the public

assets owned by the state. In fact, with the enterprises holding management powers in their hands, they will more carefully take care of the public assets. The shortsighted behavior of the enterprises is in fact caused by the lack of management powers in the enterprises and by the frequent changes in our policies. Therefore, the fundamental way to solve this problem is to really enable the enterprises to have full power to manage their own business and production. Of course, the state should set up some departments to manage and supervise the utilization of the state-owned assets, but they must not excessively interfere in the business activities of the enterprises.

Zhao Ziyang stressed that so long as the enterprises really have management powers, they will certainly do business among themselves by adopting such forms as contracts, leasing, holding each others' stocks, and transferring production factors to each other, and this will improve the combination of the production factors. Therefore, the contract system, leasing system, and joint-stock system are all compatible rather than mutually exclusive.

Internal Management of the Enterprises Should Keep Pace With Reform [subhead]

Zhao Ziyang added that the contract system will solve the problem of "eating from the same big pot" among the enterprises, thus providing conditions for the enterprises to improve their internal management. He quoted the example of the Shoudu Iron and Steel Complex. The Shoudu Iron and Steel Complex achieved remarkable results after adopting the contract system. Aside from other reasons, an important reason was that its internal management was good; this enabled the contract system to achieve greater results and function more effectively. Now, many of our enterprises are still poorly managed, and all enterprises should improve their internal management by making use of the driving force of the contract system.

He said that the experience of some enterprises in Changchun City, Jilin Province, in running "internal factory banks" and the experience of the No 1 Plastics Plant of Shijiazhuang City in adopting the "full-load work" method, which were recently reported by the newspapers, are of general significance. The settlement of these problems will create the conditions for the reform of the wage, labor, and personnel systems in the enterprises.

"Introduction of the Competition Mechanism Is of Great Significance" [subhead]

Zhou Ziyang said that introducing the competitive mechanism into the enterprise contracts is a matter of great importance. He said that this will bring about a series of major changes of profound significance, which we may not at present perceive very clearly, in the aspects of the personnel system, people's concepts, and the training of talented people. We should all attach

importance to the study of this issue, give timely guidance to the development of the situation, sum up experience, and institutionalize the new practice to create a new situation in which talented people can be placed in management posts in the enterprises. He said that it can be envisaged that if all the enterprises throughout the country resolve this problem well, the affair is bound to expand and involve undertakings and units of all types; also, we will gradually institute the public servant system in the state organs, and with the problems in these two aspects resolved, fundamental changes will take place in China's personnel system. Hence, the significance of introducing the competitive mechanism into the contracts is much greater than it appears at first sight.

The Contract System Should Also Be Introduced in Foreign Trade [subhead]

When discussing the economic structural reform in 1988, Zhao Ziyang also revealed that the reform of the foreign trade system will be advanced substantially and that contracted quotas will be assigned to each level of the foreign trade institutions. So far, the foreign trade institutions are still "eating from the same big pot"; this will be changed through the adoption of the contract system.

He said: In our country, the big pot practice in various trades has been changed greatly. However, the changes are uneven. In some trades, the system of "eating from the same big pot" has been replaced by the system of "distribution according to work," but in other trades, the "big pot" was just changed into "smaller pots," and the "small pot" is still better than the "big pot." However, foreign trade is still basically a big pot, and the basic conditions have not been changed. This is not in keeping with the development of the entire economy and the opening up situation.

Zhao Ziyang pointed out that an important aspect of our efforts to open up to the outside world is to develop foreign trade and to strengthen and expand our ties with international markets. There are still many serious problems in our foreign trade system. For example, the quality of our export goods is not good, we often fail to deliver goods on time, our goods are not readily marketable, we often cause waste, we do not get quick access to international economic information, and we do not pay attention to business results. The root cause of all these problems lies in the big pot system. The report to the 13th party congress mentioned the work of foreign trade by putting forth four requirements: Foreign trade enterprises should bear sole responsibility for their profits and losses, be operated in an open manner, link foreign trade business with industrial production, and act as agents for other enterprises in foreign trade. The key lies in the first two points. Foreign trade must be handled in an open manner; the precondition for this is the foreign trade

enterprises' sole responsibility for their profits and losses. If the foreign trade enterprises do not bear responsibility for their profits and losses and continue to do business under the big pot system, they will not be able to, and will not dare to, handle foreign trade in an open manner.

He said that to let foreign trade enterprises bear responsibility for their profits and losses, the feasible method is to adopt the contract system. Contracts can be concluded between the central authorities and localities, between localities, and between localities and enterprises. We do not have another way to go. This is a rather successful method that we have found in our reforms and is a way we opened for ourselves. When we still lack many conditions, the contract system is a rather effective way to let enterprises bear responsibility for their profits and losses. Market results may not be achieved in 1988, but it is certain that our foreign trade will make substantial progress in 2 to 3 years.

Our Reforms Are Not Blind [subhead]

Zhao Ziyang emphasized that we will continue to "cross the river by groping stones" when taking our reform steps. However, our reforms are not blind; instead, we adhere to a clear orientation and objective which are presented by the reform blueprint of the 13th party congress. As for the concrete reform steps, we must rely on our practice. He said that since the 3d Plenary Session of the 11th CPC Central Committee, the most important thing for our party is the restoration of the fine tradition of seeking truth from facts and basing all plans and notions on practice without being confined by any conventions. In addition, our Chinese Communists are working for the benefit of the overwhelming majority of the people. With these two points, we will certainly be able to succeed in our reforms. This is also the foundation for our confidence in our reforms.

Enterprises Should Become Legal Entities That Have Full Power in Management and Bear Sole Responsibility for Their Profits and Losses [subhead]

After Zhao Ziyang spoke, Li Peng also made a speech.

Li Peng said: Practice shows that the adoption of various forms of contracted management responsibility systems in the enterprises is an effective way under our country's conditions to develop productive forces, increase the business vigor of the enterprises, and arouse the initiative of producers and managers. We should take this as a key point for further deepening the reforms.

He pointed out: Now, the equipment and technical manpower of our enterprises are not too backward and contain great potential. Since the introduction of the contract system in the enterprises, the enthusiasm and sense of responsibility of the workers have been enhanced, and efforts should be made to strengthen enterprise management and spur technological progress.

Only thus can we raise our competitive power and improve our economic results. At the same time, we should also pay attention to improving the quality of the laborers, raising their technological standards and professional ethics, cultivating a scrupulous work attitude and a work style of observing rules and regulations, and reducing the number of accidents and mistakes. This is the fundamental way to run our enterprises well. In this way, the enterprises will be in an invincible position amid the fierce competition.

Li Peng said: In order to enable the enterprises to make greater contributions to society, the state should create a favorable external environment for the enterprises; this is beyond all question. However, enterprises should not just wait for preferential treatment from the state. In particular, the state finances are still not ample enough, so we should encourage the enterprises to rely mainly on their own efforts.

When discussing the administrative structural reforms in the central state organs, Li Peng said that the focal point of the reforms is to change the functions and to delegate powers to enable the enterprises to truly become legal entities managing their own operations and being responsible for their own profits and losses; it is not just a simple matter of changing subordinate relationships. It is hoped that your research class will also study this subject in depth. This can be taken as an assignment I have given you.

Before people at the meeting noticed, the discussion had continued for nearly 2 hours. It was getting dark outside the window, and evening lights had been lit.

Various Draft Laws Being Considered by NPC
HK120338 Beijing CHINA DAILY in English
12 Jan 88 p 1

[By staff reporter Dong Lisheng]

[Text] The factory director's full power over management has been specified in an important draft law which concerns hundreds of thousands of China's State-owned enterprises with millions of workers.

The 24th Session of the Standing Committee of the 6th National People's Congress yesterday began to examine the Draft Law on State-Owned Industrial Enterprises, which will be printed in China's major newspapers today to invite comments and suggestions from the public.

"The specification reflect the principle of giving the factory director powers compatible to his or her responsibility," Yuan Baohua, Vice-Minister of the State Economic Commission, said in his report to the session.

"As the State gives the director powers over policy-making, business and personnel management, he or she is held responsible for not only the operation and management of the enterprise but also the training, education and the use of workers," Yuan said.

The factory director can be appointed or chosen from applicants by departments empowered by the government as well as chosen from applicants or elected by the workers' congress, the draft says.

The draft described the role of the Party committee in the enterprise as "guaranteeing and supervising the implementation of Party and State principles and policies and supporting the factory director in fully exercising power according to law."

The draft lays down the State's principle of separating ownership of the enterprise from its day-to-day management. The enterprise enjoys the right to use and dispose the property that the State puts under its control.

A draft State secrets law was also submitted for examination and deliberation.

The "Draft Law of the People's Republic of China for protecting State Secrets," which was submitted by Acting Premier Li Peng, is aimed at safeguarding the country's security and interests, and guaranteeing and promoting the development of socialist construction.

In his explanation of the draft law, Zhang Wenshou, Deputy Secretary-General of the State Council, said that while stressing security, the draft law has also been drawn up in line with the current reform and open policy.

He said that the provisional regulations for maintaining State secrets, issued by the central government in 1951, no longer suit the present situation.

The draft law stipulates that State secrets should be given a specified validity period, so that they will no longer be regarded as secrets after a certain period of time. Zhang called this stipulation a major reform in security work. In this way, he said, lots of work will be saved and a large amount of information, especially information about China's economy, science and technology which are kept as secrets for certain periods of time will be known to the society in general in time.

Penalties for breaking the State secrets law are also spelled out in the draft, Zhang pointed out.

The meeting also discussed a law governing Sino-foreign cooperative enterprises.

In his proposal to the committee, Li Peng said that the law has been written to expand international economic co-operation and technological exchange, encourage foreign investors to start cooperative enterprises in China, and protect the legal rights and interests of co-operative ventures.

At the meeting, Li Lanqing, Vice-Minister of Foreign Economic Relations and Trade, explained the law, which gives more priority and flexibility to co-operative enterprises than other forms of foreign investment in China.

"The draft of the law offers cooperative enterprises flexible terms governing investment, profit distribution, management and the handling of property in case an enterprise is terminated," Li said.

Li said that according to the law, a co-operative enterprise can also be managed by a third party, and all contract holders shall share profits and assume responsibilities spelled out in the contract.

In addition, China will also have more laws governing the country's administration of justice, investment, pricing and public security, according to NPC officials.

Commentator on Value of Political Cadres
HK111352 Beijing RENMIN RIBAO in Chinese
11 Jan 88 p 1

[Commentator's article: "A Few Words for the Political Cadres"]

[Text] In the course of carrying out political structural reform and separating the functions of the party from those of the government, some people have made very unpleasant remarks about the political cadres. Some people have even purposely defamed the political cadres. As a result, some political cadres have felt very depressed. What these people have said about the political cadres totally does not conform with the spirit of the 13th CPC National Congress, with the policies of the central authorities, and with the actual situation of our contingent of political cadres. We should make a correct appraisal of the political cadres.

Political structural reform is aimed at reforming the political structure; the separation of the functions of the party from those of the government is aimed at drawing a clear distinction between the functions of party and the functions of the government. When carrying out political structural reform and separating the functions of the party from those of the government, we will naturally come across the question of making personnel changes. However, the personnel changes should not in any way weaken our ideological and political work. We should not discard political cadres as if they were a burden. When talking about the separation of the functions of the party from those of the government at the preparatory meeting of the 7th Plenary Session of the 12th CPC Central Committee, Comrade Zhao Ziyang pointed out:

"The past leadership structure was determined by the historical conditions in the past; no individuals should be held responsible for the formation of this leadership structure. When carrying out the work of separating the functions of the party from those of the government, we must also enable our comrades to clearly understand this question and we should not make the comrades engaged in the party and political work feel depressed and should not make them feel as if they had made some sort of 'mistakes'." Therefore, we must study and discuss the documents of the 13th CPC National Congress, the question of political structural reform, and the question of the separation of the functions of the party from those of the government in the light of the spirit of this speech by Comrade Zhao Ziyang. We should not make irresponsible remarks and complaints about the political cadres. There is also no reason for the broad masses of political cadres to improperly belittle themselves. Along with the development of the reform and opening up to the outside world and with the development of the socialist commodity economy, we will certainly need to attach great importance to, strengthen, and improve our ideological and political work. With regard to this situation, the view that the broad masses of political cadres will have nothing to do in the future is incorrect. As a matter of fact, the broad masses of political cadres will certainly have bright prospects and much to accomplish in the future.

It should be pointed out that political cadres are the precious wealth of the party and the people. The political cadres are also an important component force of our country's contingent of cadres. Especially since the 3d Plenary Session of the 11th CPC Central Committee, after being reorganized, the quality of the contingent of our political cadres has been significantly improved. The broad masses of political cadres are loyal to the party's line, have higher ideological standards, are able to maintain close links with the masses, and have done much ideological, political, and organizational work to bring order out of chaos. For example, they have resolutely exposed, investigated, criticized, and repudiated the "gang of four" and their close followers. They have redressed a large number of unjust, false, and wrong cases left over from history. They have implemented the party's policies toward the intellectuals. They have realized the "four transformations" of our contingent of cadres. They have also pushed forward with the exchange of qualified personnel, organized political studies, and so on. They have broken through all types of obstructions and have done a lot of hard work. It is fact that many of our political cadres have been "quietly doing good things for others." Our cadres engaged in administrative work, professional work, and technological work and our comrades on all the fronts should not defy the work done by our political cadres. The great successes we have achieved in the economic field are inseparable from the work done by our political cadres.

It is true that over the past few years, although our ideological and political work has achieved successes, it has had shortcomings. Over the past few years, it has

been widely thought that ideological and political work has failed to help solve many problems. This is a true fact. However, we should look at this question from a historical point of view. Some people say that the 1950's were "years of acceptance" because the ideological and political work carried out by the political cadres was easily accepted by the broad masses of the people; the recent years are "years of thinking" because the people are more willing to think by themselves than to listen to the teachings of others. This view is not completely groundless. We are now in a period of the old structure being replaced by the new structure. This is also a period of old concepts and old methods of thinking being replaced by new concepts and new methods of thinking. So, in recent years, our ideological and political work has met with many new topics. It is quite understandable that the broad masses of political cadres are now making great efforts to explore, study, and improve their work, because their work cannot immediately catch up with the new situation of our country and cannot produce gratifying results at present. Moreover, the problems in our social life are very complicated, and it has always been recognized that ideological and political work alone cannot solve all the complicated problems in our social life. So, how can we make excessive demands on the political cadres?

The work of our political cadres concerns people. However, some comrades are only accustomed to carrying out ideological and political work among others but are not accustomed to carrying out ideological and political work among themselves. Some cadres have found it difficult to get accustomed to the situation of the reform, especially to the situation of separating the functions of the party from those of the government. This situation is understandable. However, these cadres should make efforts to gradually adapt themselves to the new situation. The development of our party's cause will certainly and continuously put forward new topics to the cadres of our party and will require all our party cadres to stand on a higher plane and see farther ahead to push forward with the development of our party's cause. This is also a requirement for the political cadres of our party.

TA KUNG PAO on Progress of Reform in 1987
HK081602 Hong Kong TA KUNG PAO in English
7-13 Jan 88 p 2

[*"The Past Week"* column]

[Text] As 1987 imperceptibly slipped into history, it may be a bit startling to turn the clock back a year and realize how some of the events were overtaken by the relentless progression of the reform in China during the past 12 months.

It was when university students in ten cities were taking to the streets in protest of their limited rights and freedom. Despite the overwhelming majority's good intention, Beijing saw in the growing unrest a danger of

bourgeois liberalization, or total westernization. This led to the resignation of then CCP General Secretary Hu Yaobang, who was blamed for weak political and ideological leadership.

By mid-March, however, then premier and acting general secretary of the CCP, Zhao Ziyang, was able to proclaim on three different occasions that the spread of bourgeois liberalization had been contained and that the domestic political 'climate has changed'.

As was to be amply substantiated by subsequent revelations, the changed 'political climate' was in part a reference to the dangers from the Left rather than the Right.

The directional differences are important in the Chinese political fabric in which right deviations have always been associated with capitalist tendencies whereas 'Leftist' deviations stood for dogmatic or over zealous interpretations of classical Marxism.

It is to be recalled that from the beginning Zhao had stepped cautiously to keep the anti-bourgeois exercise within the CCP. It must not be allowed to spill into scientific research, explorative art and literary endeavours, the urban economic reform or the rural economy, he warned.

Obviously, Zhao's words were not heeded by some highly placed party officials who were clamouring to break these 'rules' set by him in an attempt not only to retract the rural household-contract system but also the ongoing urban reforms in the name of stamping out capitalism. A foreboding whisper among inside circles called for a readiness to meet an onslaught against not only those who 'talked' capitalism, but also those who 'practised' it. Fortunately, this was soon detected by staunch advocates of change like Zhao and, of course, Deng Xiaoping, who responded with the stern warning that Leftist tendencies constituted the main danger.

Although Beijing never conceded that the student unrest and the subsequent anti-bourgeois liberalization exercise created great problems, the shock they sent around the world were nonetheless enormous. By coincidence or design, an unusually large number of foreign dignitaries arrived in Beijing in January, February and March, and their conversations with Chinese leaders invariably touched upon this seemingly internal question. Thus when U.S. Secretary of State, George Shultz, saw Deng Xiaoping in March 1987 he was told that China's political troubles were over and that such jitters that had just transpired were inevitable in running a country as large as China.

Deng observed that U.S. President Ronald Reagan also had his troubles. He believed that Americans would understand what had happened in China.

With increasing U.S. involvement in China's economic program, it was natural for Washington to be concerned about the country's domestic troubles, particularly one that concerned learning from the experience of developed capitalist countries.

The sudden swing of the political pendulum also sent shudders through Hong Kong not only because the territory is by far the largest investor in China, but also because of the 1997 scenario.

By April, it was clear that despite the worries, the reform was back on course with greater momentum than ever. Beijing, by this time, was talking more earnestly about the pending political reform to clear the path for the all-important economic restructuring. One could see by this time that Deng had exaggerated nothing when he assured Shultz that the country's political troubles were over.

Or as a mainland academic observed dryly at the time: There is no way to reverse the changes even if Deng wanted to.

The 13th National Congress of the CCP which gathered in Beijing towards the end of October, reaffirmed the spirit of the reform and visualized a rudimentary phase of socialism lasting at least up to the 50s of the 21st century. The economic ingredients of this historical period would be a mix of capitalist and socialist methods. There is no question that China will keep to the socialist course. The question is, rather, how much capitalism will be allowed before it is judged to be a threat to the public sector of the economy. And who knows that even the private sector in a predominantly socialist environment will not be different from their counterparts in other parts of the world?

There seems to be a gross misrepresentation whenever the influence of capitalism in China is mentioned in the fact that both the Chinese and foreign media tend to dwell on the growing inequalities of income and wealth, the reappearance of pornography and prostitution, corruption and other vices as if they are all that capitalism is good for. Nothing can be more harmful than such stigmatizations both in terms of China finding the answer to her inherent problems and countries anxious to cement friendly and mutually beneficial relations with China.

Fortunately, policy makers in Beijing seem to have kept their calm about these sensational representations. An indication of this was the election of a few successful private entrepreneurs to the recent CCP national congress. One of them, Ms Guan Guangmei of Benxi city in the Northeast China province of Liaoning province, is the lessee of eight state stores. Thanks to her brilliant management, Guan was able to turn these money-costing shops into profit-making ones. Granted she makes 20

times more a year than her employees, there is no denying that the honour she was accorded was in recognition of her service to the community and the economy.

Against a background din of crashing markets elsewhere around the world, China is avidly talking about need for stock markets.

In the meantime, economic growth during the past year was maintained above 8 percent as it has been for the previous eight years.

Economic Gains, Political Work Inseparable
OW111302 Beijing XINHUA in English
1208 GMT 11 Jan 88

[Text] Beijing, January 11 (XINHUA)—China's economic achievements are "inseparable" from Chinese Communist Party's political activists, the "PEOPLE'S DAILY" said in a commentary today.

The commentary praised party workers for their loyalty to the party and devotion to the people and cited achievements since 1979 including overcoming the "gang of four" and their followers, redressing wrongs, implementing policies towards intellectuals, choosing competent and younger officials, and promoting personnel exchanges.

Many workers have gone about their work without attracting public attention, "sewing trousseaus for others", and working without personal gain, it said, calling them a valuable resource of the party and an example to all the people.

The commentary admitted that many people complain ideological and political work does not solve many problems.

"We're now in the period of new systems replacing old ones, which is also the period of new ideas and even new ways of thinking replacing old ones," it said.

Thus the party workers are facing new ideological and political challenges.

Said the commentary: "It is quite understandable that some political workers cannot adapt themselves promptly to new circumstances and are unable to achieve satisfactory results."

Zhao Ziyang on Reform in Fujian, Guangdong
OW120530 Beijing XINHUA in English
0233 GMT 12 Jan 88

[Text] Beijing, January 12 (XINHUA)—China's reforms will be tested first in the southern coastal provinces of Guangdong and Fujian, the "PEOPLE'S DAILY" today quoted top Chinese leader Zhao Ziyang as saying.

During an inspection of Fujian earlier this month, he urged the special economic zones of Xiamen in Fujian and of Shenzhen in Guangdong to open still wider to the outside world and make themselves more attractive to foreign investors.

"Provincial departments should not manage the zones and should list them as separate units in planning," said Zhao, general secretary of the Chinese Communist Party Central Committee.

The Central Government should leave part of all national plans for the two zones to implement on their own as they see fit.

He predicted that the new practice will stimulate development and free the zones from the current managerial system.

Zhao Ziyang's Visit to Jiangsu Reviewed
*HK090600 Beijing LIAOWANG in Chinese No 51,
21 Dec 87 pp 4, 5*

[Article by LIAOWANG reporter Zhang Xingduan (1728 58874551): "The General Secretary in the Rural Areas of Southern Jiangsu Province"]

[Excerpts] On the afternoon of 25 November, with the soil of the Jinggangshan on his feet and the soil of rural Zhejiang Province on his clothes, Zhao Ziyang and his entourage arrived in Suzhou City from Jiaying County by mini-bus to start his inspection there.

After the 13th CPC National Congress, Zhao Ziyang had successively inspected three southern provinces of our country and endured many hardships on the long journey. As soon as he arrived in Suzhou, he went to township and town enterprises, trade centers, and shops run by individual operators to make investigations at the grass-roots level and discussed economic development strategies with the local cadres and masses.

Reunion in a Region of Rivers and Lakes in Southern Jiangsu Province [subhead]

At about 1600 on 25 November, it was still drizzling. Three mini-buses entered the old-fashioned gate of the Dasheng Leather Shoe Factory in the suburbs of Beiku Town of Wujiang County.

Factory director Xiao Shuigen went forward and shook hands with Comrade Zhao Ziyang and said, "Welcome, General Secretary!" Han Peixin, secretary of the Jiangsu Provincial CPC Committee, and Gu Xiulian, governor of Jiangsu Province, who were accompanying Comrade Zhao Ziyang, immediately went forward and introduced Xiao Shuigen to Comrade Zhao Ziyang and said that Xiao Shuigen was one of the "10 best peasant entrepreneurs" in the whole country. Comrade Zhao Ziyang gladly said: "We are old acquaintances!"

Comrade Zhao Ziyang went up the factory building and inspected the detailed leather shoe production process. Comrade Zhao Ziyang also asked about the income of the workers and the specific method adopted by the factory regarding mortgaging and contracting the enterprise to the collectives and the method used by the factory in settling the internal account with compensation. After listening to the report, Zhao Ziyang said: "This method is good!" [passage omitted]

Comrade Zhao Ziyang said: The township and town enterprises should not only try to find a good domestic market for their products, but should also try to find a good international market for their products and try to sell more products on the overseas market! [passage omitted]

Comrade Zhao Ziyang stressed that efforts should be made to develop the export of labor-intensive products. There is a large labor force in China's rural areas. The enterprises should organize peasant households to carry out outside manufacture—for example, to mobilize girls in the rural areas to do embroidery and so on—to increase the extra value of the export-oriented products.

Talking About Development in the New Industrial Zone of Kunshan County [subhead]

In the early morning of 26 November, Comrade Zhao Ziyang and his entourage arrived in the new industrial zone of Kunshan County by mini-bus to be joined by other leading comrades, such as Hu Qili, Jiang Zemin, and Rui Xingwen, who had just arrived in Kunshan County from Shanghai. All the leading comrades then went together to inspect three Sino-foreign joint ventures and jointly-managed domestic enterprises. [passage omitted]

Comrade Zhao Ziyang said that the township and town enterprises in Suzhou should develop relations with enterprises in the inland provinces to equip themselves with the strong technological force of the inland provinces. In the meantime, enterprises in the inland provinces can also build up a window in the coastal areas to get the latest information. Both sides should cooperate with each other and advance together toward the international market. [passage omitted]

Asking About the Situation in the Trade Center [subhead]

The newly-built building of the Goods and Materials Trade Center outside the Xumen Gate of Suzhou City received its first batch of distinguished guests. Zhao Ziyang and other leaders climbed up to the top of the building and looked down at the new city area of Suzhou City. Later, Zhao Ziyang went to the tea room on the second floor of the building and had a talk with Gu Hengru, manager of the Goods and Materials Trade Center.

Manager Gu Hengru reported to the general secretary: The total output value of the industrial and agricultural production of Suzhou City is 25.8 billion yuan. However, the state plan for material distribution can only provide 15-20 percent of the total amount of the goods and materials needed by Suzhou City. Suzhou City has been relying on its 80,000 purchasing agents to get the remaining 80-85 percent of the goods and materials it needs. In 1985, Suzhou City's Goods and Materials Bureau established the Goods and Materials Trade Center. Over the past more than 2 years, the total business volume of the Goods and Materials Trade Center with regard to the various types of goods and materials has reached 4.1 billion yuan. The Goods and Materials Trade Center has also provided various types of goods and materials that are in short supply to the local industries and agriculture, has turned the formerly invisible market into the presently visible market, and has strengthened the administration of the trade in goods and materials. Comrade Zhao Ziyang asked: "Has the establishment of the trade center reduced the number of goods and materials kept in stock by the various factories?"

Gu Hengru replied: "Yes, it has. We have built a big warehouse in the Goods and Materials Trade Center. Now, apart from other types of goods and materials kept in stock there, we also have some 40,000 tons of steel products in stock there."

"So, the enterprises no longer have to keep a large stock of goods and materials and no longer have to pay a lot of interest," said Zhao Ziyang gladly. [passage omitted]

Paying a Visit to Individual Operators on the Longstreet at Night [subhead] When Zhao Ziyang and the other leaders stepped from the Goods and Materials Trade Center, it was already night. Many shops were ready to close. However, many arts and craft shops run by individual operators on the street were still brilliantly illuminated. The colorful lights illuminated a large variety of handicraft articles on display in the shop windows. Zhao Ziyang asked the driver to stop the mini-bus. He then got out of the mini-bus and walked into the "Golden Bird Shop," which was by the roadside. He entered the shop and looked around, then said: "There are so many commodities here!"

Xue Gaozong, the shop owner, immediately recognized the general secretary and said: "The party's policies of reform and opening up to the outside world are very good, indeed. My shop is becoming more and more prosperous!" [passage omitted]

Li Peng Submits Foreign Ventures Law to NPC
OW111628 Beijing XINHUA in English
1540 GMT 11 Jan 88

[Text] Beijing, January 11 (XINHUA)—The draft of a law governing Sino-foreign cooperative enterprises was submitted to the 24th meeting of the Standing Committee of the Sixth National People's Congress today.

In his proposal to the committee, China's Acting Premier Li Peng said that the law has been written to expand international economic cooperation and technological exchange, encourage foreign investors to start cooperative enterprises in China, and protect the legal rights and interests of cooperative ventures.

At the meeting, Li Lanqing, vice-minister of foreign economic relations and trade, explained the law, which gives more priority and flexibility to cooperative enterprises than other forms of foreign investment in China.

By the end of last September, China had approved 4,793 cooperative enterprises which involve 12.1 billion U.S. dollars, of which more than three billion has already been used, Li Lanqing said.

According to the vice-minister, China now uses foreign investment mainly in three ways: joint ventures run with Chinese and foreign investment, cooperative enterprises managed jointly by Chinese and foreign firms, and enterprises run and funded solely by foreign firms.

"The draft of the law offers cooperative enterprises flexible terms governing investment, profit distribution, management and the handling of property in case an enterprise is terminated," Li went on.

Vice-minister Li said that according to the law, a cooperative enterprise can also be managed by a third party, and all contract holders shall share profits and assume responsibilities spelled out in the contract.

The law covers transfer of investment and cooperative terms, employees and unions, purchasing, marketing, the balance of foreign exchange, the remittance out of China of profits of foreign partners and salary of foreign employees, as well as the extending of contracts and the settlement of disputes.

These regulations are similar to those as laid down in the law governing joint ventures, which was approved last year, Li added.

Some new articles were added to the draft, which requires partners in cooperative enterprises to carry out contracts on time, and insist departments concerned guarantee cooperative enterprises decisionmaking power.

Qiao Shi Inspects Guangxi, Gives Instructions
HK080125 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 7 Jan 88

[Text] Qiao Shi, member of the Standing Committee of the CPC Central Committee Political Bureau and vice premier of the State Council, recently held an inspection tour in Guangxi Province. This station has learned from the departments concerned that Qiao Shi pointed out that party committees at all levels should seriously implement the guidelines of the 13th Party Congress

according to local conditions and step up party building, especially the improvement of party style, in the course of reform and opening up to the world. While studying how to carry out reforms and opening up, they should not relax their efforts to improve party style. While doing so, they should not neglect to ensure the smooth development of economic construction and the deepening of reform.

Comrade Qiao Shi and his party arrived in Nanning on 28 December. They met with responsible comrades of the party, government, and army in the region. They also heard briefings by the regional party committee and people's government on work in Guangxi in recent years and on study and implementation of the guidelines of the 13th Party Congress. They discussed the proceedings of a forum on party style sponsored by the Secretariat of the Party Central Committee. Comrade Qiao Shi and his party then inspected factories, villages, agricultural trading markets, specialized markets, and police stations in Nanning, Fangcheng Port, Beihai City, Yulin, Liuzhou, and Guilin. They visited some specialized households and economic combines. Qiao Shi also chatted cordially with the local cadres and masses and asked them about economic construction and the improvement of party style.

Qiao Shi pointed out on many occasions while inspecting various parts of Guangxi that in accelerating and deepening the reforms and separating party and government functions, the requirements set for the party are not lower but higher. As reform and opening up are further promoted, it is all the more necessary for us to strengthen party leadership and party building. In improving party style, system reform should be linked well with being strict with party members. Party committees, including the discipline inspection organization, and other departments, should seriously investigate and study how to start with the reform or improvement of systems in order to reduce the sources of unhealthy tendencies. At the same time, we must not overlook in the slightest degree the importance of being strict with party members and enforcing party discipline. He stressed: An important aspect in being strict with party members is to improve the political quality of the party members; otherwise, systems and discipline, no matter how good they are, can hardly play their proper role.

Discussing work in Guangxi, Comrade Qiao Shi held that under the guidance and care of the CPC Central Committee, gratifying progress has been made in the region in the past 3 years. This progress was a result of implementing the policy of reform and opening up, bringing order out of chaos, rectifying the party, and properly handling problems left over from the Great Cultural Revolution. Political stability and unity has been consolidated and developed. This is the basic guarantee for the smooth progress of all work. Economic development has been relatively fast, and doubling has been achieved in a number of important economic indices over the past 3 years. This was not at all easy to accomplish in Guangxi.

Guangxi has also scored marked successes in supporting poor areas. About half the number of people who were originally living in poverty have initially extricated themselves from such a situation. In party style too, the main current is good.

He also said: Guangxi's resources are relatively rich, and the potential for economic development is very great. However, the present degree of development is rather low. The tasks of economic construction, supporting poor areas, and so on remain very arduous. It is necessary to act according to the party's spirit of seeking truth from facts. It is necessary to have a sense of urgency and also to realize that due to differences in foundation and conditions, in many respects Guangxi cannot compete with the economically developed coastal provinces. It is necessary to refer to their experiences in an analytical way, do still better at taking advantage of the region's own strong points, and proceed from the region's reality in advancing step by step and doing work in a thoroughly down-to-earth way.

Comrade Qiao Shi also said: Guangxi has its own favorable conditions. It has 40 million people of various nationalities, abundant natural resources, and its own coastline and open ports. Its land communications also have a certain foundation. So long as we fully mobilize the initiative of the people of various nationalities, seriously implement the party's basic line, concentrate efforts for economic construction, and continue to advance along the path of reform and opening up, Guangxi's future prospects will be very bright.

Chen Huiguang, secretary of the regional party committee, and others accompanied Comrade Qiao Shi on his inspection in various localities.

Li Ximing Visits Judicial Policemen 29 Dec
SK111103 Beijing BEIJING RIBAO in Chinese
30 Dec 87 p 1

[Text] The timely snow flakes were falling thick and fast on the morning of 29 December. In spite of the snow, Li Ximing, member of the Political Bureau of the CPC Central Committee and secretary of the municipal party committee, called on the judicial cadres and policemen who are fighting day and night in the forefront of the reform-through-labor and education-through-labor lines, and also visited those who were imprisoned, those who were sentenced to reform through labor, and the juvenile delinquents who were subject to discipline.

Prisons throughout the municipality have ceaselessly explored new ways for redeeming those who are imprisoned and have stood in the forefront of transforming the prisoners' thinking. Despite the flying snow, Li Ximing and Yuan Liben, member of the municipal party committee standing committee, arrived here at 0900 to extend regards to cadres and policemen on behalf of the municipal party committee and the municipal government. Li Ximing said: "With arduous work and many

difficulties, this is a special school. You are undertaking arduous and painstaking work. Particularly, changes have taken place in the people's psychology and thinking since the implementation of the reform and open policies. Therefore, a new situation and new problems cannot be treated according to outdated methods." Li Ximing encouraged cadres and policemen to work in the spirit of reform to inherit the previous good traditions and to ceaselessly explore new ways to push forward the work of redeeming those who are imprisoned. After speaking highly of the practices of signing help-and-education agreements between reform-through-labor farms and districts and counties, Li Ximing said: "On behalf of all people of the municipality, we pay an early New Year call on you and extend our thanks to you." Leaders of the municipal party committee shook hands with cadres and policemen one after another. After that they visited the workshops of a stocking plant and plastics plant run by the prison and viewed the prisoners' dormitories in order to understand their living, work, and study conditions. They also viewed the literary and art performances given by prisoners. Soon afterwards, Li Ximing took a car to visit the cadres and policemen at Beijing municipal disciplinary center for juvenile delinquents and the Tiantanghe disciplinary post. Ji Yumei, a 47-year-old woman instructor at the Tiantanghe education-through-labor farm, came to each and every woman's dormitory to tuck in the education-through-labor personnel's bedclothes every night. After hearing this, Li Ximing grasped Ji Yumei's hands and cordially said: "You have done your job well and you have brought in the work style of the Eighth Route Army. By doing so they can be moved to transform themselves!" At the dormitory of a disciplinary center for juvenile delinquents, Li Ximing grasped the hands of a juvenile delinquent and asked: "How old are you?" He answered: "I am 14 years old." Li Ximing said: "You must study hard." "Yes, we do," the youngsters at the dormitory, totaling 8 or 9, unanimously replied. After hearing this, Li Ximing nodded with pleasure.

Li Ximing Greets Wives of Tourism Workers
SK110751 Beijing BEIJING RIBAO in Chinese
29 Dec 87 p 1

[Text] This year, the municipality earned \$550 million in foreign exchange from more than 1.05 million overseas tourists. The reporter learned this from new year soiree for the wives of staff and workers of the tourist trade held on 28 December.

Li Ximing, member of the Political Bureau of the CPC Central Committee and secretary of the municipal party committee, called on the participants and extended early new year greetings to them.

The municipality's tourist trade has made greater progress thanks to reform carried out in the spirit of forging ahead and doing pioneer work under the leadership of the municipal party committee and the municipal

government since the beginning of this year. The municipal tourist administrative bureau held this special soiree to express its thanks to the families of staff and workers in the tourist trade, for their support.

Comrade Li Ximing said at the soiree: Next year is the year of the dragon as well as an international tourist year of Beijing Municipality. With heavier tasks, Beijing's tourist trade will become more flourishing next year.

Gu Mu on Improving Foreign Investment Climate
OW111848 Beijing XINHUA in English
1629 GMT 11 Jan 88

[Text] Beijing, January 11 (XINHUA)—"China should make more efforts to improve the country's macro investment environment so as to attract more foreign funds," State Councillor Gu Mu said here today.

Addressing a foreign investment symposium, Gu urged government departments to review their work in implementing China's laws and regulations governing foreign investment and economic relations.

"The development of world economy has made the Pacific rim the best area for investment," Gu said. "And the appreciated currencies of newly-industrialized nations and regions in Asia and the worldwide stock market crash have caused investment to flow into labor intensive industry and made investors more cautious in choosing targets."

Gu also said, "The shift of international investment is an irreversible tendency, and current world economic changes have provided China a good opportunity to draw and utilize foreign investment."

"Most foreign investors feel confident about China's long-term investment potential, but have many complaints about the country's current investment environment," Gu went on.

He called on China's coastal areas to take the lead in creating an ideal micro investment environment and allow foreign-funded enterprises to follow international practices.

China now has about 10,000 foreign-funded enterprises, of which 4,000 are now in operation, Gu said, and an ideal investment environment has to be created to support these enterprises.

Gu also suggested a two-month survey of foreign-funded projects in China's special economic zones, coastal cities open to foreign investment, and other related areas, and urged government departments at all levels to help these projects solve problems.

Zhang Jingfu on Industrial Survey
OW120107 Beijing XINHUA Domestic Service
in Chinese 1349 GMT 10 Jan 88

[By reporter Yang Like]

[Text] Beijing, 10 Jan (XINHUA)—Important achievements have been made during our country's second industrial survey which is expected to be basically completed this year.

This large-scale industrial survey officially began in 1986. It covers a very wide area and the volume of work has been very great. Over 2 million people have been mobilized throughout the country for the survey.

The processing of the industrial survey data for 8,285 large and medium-sized enterprises, 516 joint ventures, cooperative management and solely foreign-owned enterprises, and 358,000 independent accounting enterprises at township level or higher throughout the country has been basically completed. After approval by the State Council, the No 1 Bulletin of the national industrial survey was released on 27 April last year. The No 2 Bulletin of the industrial survey has been submitted to the State Council for examination and approval.

Last year, industrial survey organizations at all levels compiled and published large amounts of data. The first volume of data on large and medium-sized enterprises was released here and overseas last September and a total of 8 volumes will be released before the Spring Festival. All the comprehensive data on the 358,000 enterprises have been compiled into 4 volumes. By the end of November last year, 99 types of survey data had been processed, compiled and published by the industrial survey offices of provinces, municipalities and autonomous regions; every prefecture, city and county has compiled and published at least one type of survey data. (Fifty-five) analytical reports have been compiled by relevant departments of the State Council, and 425 analytical articles at the provincial level and 39,000 at prefectural, city and county levels were written. The number of analytical reports throughout the country, including those of enterprises, totalled more than 240,000.

By the end of last year, all organizations for the survey have been disbanded. The majority of the prefectures, cities and counties have basically completed their survey work and 44 percent of the survey organizations at the county level have been dissolved.

Yuan Baohua, deputy head of the Leading Group for National Industrial Survey of the State Council and vice minister of the State Economic Commission, reviewed and summed up last year's industrial survey work at tonight's telephone conference and commended the advance units and workers who made outstanding contributions during the survey. Zhang Jingfu, state councillor and head of the Leading Group for National

Industrial Survey of the State Council, emphasized during the telephone conference: This year is a crucial year for our work on the survey. Not only must we complete the processing of all the data but we must also complete the compilation and publication of all material. The volume of work for these two tasks is very great and must not be taken lightly. At the same time, we must make good use of these data and carry out proper macro-analytical studies in order to provide a reliable foundation for strategic decision-making on some of the important issues of our country's economic development.

NPC Vice Chairman Banqen Inspects Xizang
OW120301 Beijing XINHUA in English
1542 GMT 11 Jan 88

[Text] Lhasa, January 11 (XINHUA)—Banqen Erdini Qoigy-Gyancan, vice-chairman of the National People's Congress Standing Committee, arrived here today on an inspection tour of the Tibet Autonomous Region.

Banqen, who is also honorary president of the Buddhist Association of China, will attend a Tibetan Buddhist prayer ceremony here.

He was greeted at the airport by Wu Jinghua, secretary of the Communist Party Committee of the region, Doje Cering, chairman of the regional People's Government, Pagbalha Geleg Namgyai, vice-chairman of the Standing Committee of the regional People's Congress, and other officials.

Banqen said that the Communist Party Central Committee has great concern for the Tibetan people and for Tibet's development. "I am here to learn about the true situation," he said.

Tibet has made great achievements, he noted. He was convinced that led by the party Central Committee and guided by the special policies for minority nationalities, it will develop more rapidly.

Yang Baibing Heads PLA Election Committee
OW120153 Beijing XINHUA Domestic Service
in Chinese 1308 GMT 11 Jan 88

[Text] Beijing, 11 Jan (XINHUA)—Namelist of director, deputy directors and members of the PLA Election Committee, approved by the 24th Session of the 6th NPC Standing Committee on 11 January 1988

Director: Yang Baibing

Deputy directors: Chi Haotian and Zhao Nanqi

Members: Guo Linxiang, Xu Xin, Zhou Wenyuan, Liu Anyuan, Zhang Boxiang, Liu Kai, Cui Yi [1508 3015] and Li Jinai.

Legal Experts Urge Strengthening Law
OW111300 Beijing XINHUA in English
1152 GMT 11 Jan 88

[Text] Beijing, January 11 (XINHUA)—The law must be strengthened to meet the needs of an emerging commodity economy, legal specialists said at a recent national meeting of legislative experts.

The specialists said in a report in today's "GUANGMING DAILY" that the country's economic, political and social development require the government to conduct its affairs according to law and to base its administration on more scientific and democratic principles.

The various regulations must accord with the Constitution and state laws, they said.

Some specialists felt there are problems in the current legislation and law execution.

In certain cases state and local regulations are contradictory, a problem left over by the old system and the result of having too many different levels of administration.

The specialists said better coordination of administrative regulations and more legal training were needed.

Property Right, Transfer Market Called For
OW111447 Beijing XINHUA in English
1306 GMT 11 Jan 88

[Text] Beijing, January 11 (XINHUA)—Chinese business executives have appealed for opening markets throughout the country that would facilitate the transfer of enterprises' property rights, according to today's "ECONOMIC DAILY".

They issued the appeal at a national seminar on property rights transfers held last week in Wuhan, the capital of Hubei Province. The seminar was also attended by government officials and economists from all over China.

Participants agreed that the opening of such markets will help form new enterprises through property right transactions. It will make possible the efficient use of fixed assets which have accumulated in China over the past 30 years.

They described the transfer of enterprise property rights as an "inevitable trend", as the growth of China's socialist commodity economy continues. This new move will also provide opportunities for the development of outstanding managers and the expansion of healthy, efficient enterprises.

Economists aired the view that the opening of such markets will result in a new wave of reforms in Chinese enterprises.

Central departments and local authorities are taking measures to open such markets, according to the seminar.

The light industry ministry has issued two documents allowing enterprises to transfer their property rights, encouraging well-managed businesses to buy-out their inefficient counterparts, and the auctioning off of inefficient small businesses owned either by the state or the collective.

Beijing and Shenyang are preparing to open enterprise auction markets. Sichuan Province and Wuhan have formulated regulations on the transfer of enterprise property rights.

Paper Reviews Enterprise Ownership Reform
HK090351 Beijing GUANGMING RIBAO in Chinese
19 Dec 87 p 3

[Article by Gu Peidong (7357 1014 2639): "Policy for the Reform of Ownership of State-Owned Enterprises"]

[Text] This article attempts to propose policy for the reform of ownership of state-owned enterprises from an integrated legal and economic point of view.

An Analysis of Several Ideas on State-Owned Enterprise Reform [subhead]

In recent years, legal and economic theoretical circles have proposed many exploratory ideas for state-owned enterprise reform. The one to which attention should be paid is the idea of total or partial ownership transference of the main body of state-owned assets. Total transference means that the ownership of current enterprise assets will be directly transferred to enterprises, and the enterprise ownership system will be adopted. Partial transference means that the ownership of part of the enterprise assets (mainly the assets formed by the retained profits achieved after implementation of the system of substituting tax payment for profit delivery) will be transferred to enterprises, and the shareholding management system under which both the state and enterprises hold shares of the enterprises will be formed. The original intention and the starting point of the "transference" idea is to give enterprises total or partial ownership of state-owned assets through transference, and thus attain the material conditions for realizing free allocation and fulfilling asset responsibility. However, besides being contrary to the fundamental ownership principle (that ownership cannot be transferred between two main bodies without any reason), this type of idea will also bring many problems in actual operation.

Viewing the total transference idea, short-term enterprise behavior will develop when state-owned assets are transferred to enterprises without compensation. This is because enterprises will not value the asset thus obtained. At the same time, as current assets can be

obtained by enterprises without paying any compensation, it implies that enterprises can further obtain input without paying any compensation. Although the proposers deny the possibility of obtaining input without compensation, extensive input is an essential condition for economic development. If the enterprises are not willing to contribute input by themselves, the state has to pay for the input unconditionally. When investment is guaranteed, enterprises can proceed boldly ahead with their work. Under this type of condition, with the rigid pressure of increasing allocation of enterprise returns to staff and workers, plus the ability of enterprises to rely on such ownership to resist interference in asset allocation from anybody (including the state), the ultimate future of enterprise assets will not be optimistic. The total transference idea also has theoretical drawbacks. When enterprises have gained the ownership of all the enterprise assets, the state will at the same time lose the right to collect asset returns. The ultimate aim of the state is not to hold asset ownership. The real meaning of this ownership is to obtain asset returns. Therefore, even though the state can maintain an aggregate amount of returns through tax increase, this type of return is not perfectly justified.

Partial transference seems on the surface more practical than total transference. Inevitably however, this idea also has defects. Under the shareholding management system, the responsibility for profits or losses is directly related to the number of shares. The larger the number of shares a share-holder has, the more concern he will feel about the enterprise achievement; the smaller the number of shares, the less concern the share-holder will feel about the enterprise achievement. This would also exist under the shareholding system formed by partial ownership transference. Under this form of shareholding management, the state will doubtless be the largest share-holder while enterprises will only be small share-holders. Obviously, enterprise achievement will affect the state to a more substantial degree than the enterprises themselves. At the same time, although the state holds a larger share it will not interfere in enterprise management decision-making. Therefore, it is better to say that this type of share-holding management will relate state benefit directly to enterprise management, and thus, the state has to be responsible for the main negative consequences of enterprise management, rather than to say that this type of management will impel simultaneous growth in state and enterprise benefit.

The policy for reform of ownership of state-owned enterprises should be the enterprise asset model. This model turns the state-asset relationship into a creditor one and establishes a dual-asset structure. This will be discussed in the following paragraphs.

Turning the State-Owned Asset Relationship Into a Creditor One [subhead]

The practice of turning the state-owned asset relationship into a creditor one has two inter-related meanings. One of them is turning state asset input into a creditor

matter. That means that state-owned assets will be quantitatively input into enterprises with clear and definite asset ownership consciousness through a certain number of investment departments. The practice of transferring the ownership of state-owned assets from the state to enterprises has the general basic properties of civil circulation; and it exists in the form of debt. The other meaning is turning state asset returns into a creditor matter. It means that state asset returns will become the creditor's right of the main body (the state) of the assets. Through this right the state will take part in allocating enterprise management returns. The fulfillment of asset returns will amount to the debts that enterprises have to repay. Turning asset input into a creditor matter is a precondition for turning returns into a creditor matter; and turning returns into a creditor matter is an inevitable derivation. This process of turning state assets into creditor ones by which ownership is transformed into creditor's right has extremely important implications in breaking through the limitations for enterprises in allocating state assets.

First, the practice of turning the state asset relationship into a creditor one can separate the enterprise status from the state status in a better way. When state assets are represented as a creditor object of the state, the state, as the creditor, and enterprises, as the debtor, will be totally separated from each other and they will be independent. Basic knowledge of legal credit theory tells us that credit relationships can only exist between two or among many specified main bodies. Therefore, the practice of turning the state asset relationship into a creditor one forces enterprises to separate their legal status from the state. Moreover, credit relationships are economic relationships among equal main bodies. In modern concepts, such credit relationships in nature will reject all non-economic coercive infiltration and the infiltration of all political theoretical factors. Thus, the practice of turning the asset relationship into a creditor one will also provide precondition for enterprises to achieve equal and independent integrity.

Second, in turning the state asset relationship into a creditor one, the control of the state over state assets will be transformed from a static material one into a dynamic total-value one. Therefore, as a creditor object, assets will no longer be in the material form of equipment, premises or other assets that have limited uses and particular nature but will be in the form of funds that have a definite total amount. Current enterprise assets, whether visible or invisible, will be converted into a certain value. The state will determine and get asset returns according to the total asset amount; and it will readjust enterprise industrial structure and product mix through inputting and withdrawing a certain amount of assets. Enterprises will have the right to allocate enterprise assets, including various fixed assets, in a normal way. In fact, the present practice of dynamic total-value control has become an irreversible trend. On one hand, the reform of materials and goods supply and that of the planning system, and the opening up of the market of

essential means of production has made it impossible and impractical for the state to contribute material input into enterprises. On the other hand, diversification in the investment main body of enterprises also requires that state assets be presented in a total value form. In this sense, the practice of turning the state asset relationship into a creditor one conforms with the general trend and the general situation of economic development.

Furthermore, the practice of turning the asset relationship into a creditor one can define and quantify the individual benefit and responsibility of the state and enterprises. This practice will provide a clear and definite basis for the individual related behavior of the state and enterprises, and will also provide preconditions for justifying and rationalizing the interests and responsibilities between them. At the same time, as the debt relationship is a social relationship protected by laws, repaying of debt has become a compulsory practice. Creditor's rights can be realized through compulsory means adopted by judicial organs. Moreover, under the precondition that creditors have not given up their rights and will act according to legal practice, the creditor's right will not be lost when time elapses. The implication of this special property on the asset relationship is that, on the one hand, the state can force enterprises to pay something according to the creditor's right of asset or that of asset returns, and enterprises can resist the demand of the state for the assets and returns that are beyond the creditor's right of the state. On the other hand, this special property can remove the past phenomena of setting return targets on an annual basis, checking and canceling enterprise deficits caused by non-fulfillment of targets, and loosening of budgetary restraints. Thus it can be seen that the practice of turning the asset relationship into a creditor one can provide enterprises extensive power to allocate assets, and it can also practically ensure state asset returns.

The Enterprise Asset Model for Dual-Asset Structure [subhead]

The so-called dual-asset structure means that the assets of state-run enterprises not only include state-owned assets but also the assets owned by the enterprises themselves (and the assets of individuals and other enterprises). The most significant thing here is the recognition of the establishment and the existence of enterprise ownership.

In the legal theoretical aspect, it will be inconceivable if enterprises, existing in the typical form as a legal entity, do not have independent property. A legal entity in nature is a type of invented character of a social collective body and thus should have its independently-owned property. This part of property is different from the property of various elements constituting a legal entity. It also does not belong to the other main bodies related to the legal entity. The principle of limited property responsibility for legal entities and the bankruptcy system of legal entities exist under this type of property

condition. Therefore, socialist countries, which have implemented the system of public ownership of the means of production, will also require the possession of independent property as a condition for establishing legal entity.

However, we should pay attention to the fact that although the laws of socialist countries also emphasize the legal entity property conditions, theoretically and practically the "independently owned property" has developed into "independent property allocation." Although "own" is only slightly different from "allocate" in form, they have completely different meanings. The former is the "responsibility property" that will be used to undertake responsibility; while the latter is mainly the operational property given to enterprises by the state for managing the enterprises and generating returns. In this case, the uniformity of the effects and the forms of property, and the identity of the forms of the process of property allocation and that in which property ownership is being exercised conceal the differences in the nature of the legal entity property conditions; this has caused us for a long time to regard possession of a certain amount of state assets (or social assets) as a property condition for establishing legal entity, without considering the ownership of enterprises themselves as a property condition.

Under the situation in which enterprises are directly managed by the state, operational property does not have to be strictly separated from responsibility property and enterprises can directly use operational property to undertake responsibility. However, when the state and enterprises are separated from each other in status and become independent main bodies, and in particular when the property relationship is turned into a creditor one and enterprises thus have to be responsible to the state for property, it will obviously contradict common sense if state property is used to repay enterprise debts to the state again. Thus, the defects of legal entity property conditions will first be completely exposed when the independent character of enterprises has been achieved. In such a way, on the question of the model for enterprise property ownership, the choices will be: To continue to use the unitary ownership system and adopt the form of direct state enterprise management, and enterprises will continue to use operational property to undertake the civil (economic) responsibility of other economic main bodies (automatically not including the state); or to recognize the existence of enterprise ownership and take this ownership as the basis for being responsible for state property and its returns, and thus establish a dual-ownership structure of enterprise assets with the coexistence of state-owned operational assets and enterprise-owned responsibility assets.

The formation of the dual-asset structure that has the coexistence of enterprise assets and state assets will form a completely new microeconomic operational asset model: The state will input assets (mainly in monetary form)

into enterprises through its special investment organizations, and will set and define the responsibility and the right of asset returns in contracts; the remaining portion of the profits achieved after fulfilling the responsibility of asset returns and tax will be retained by enterprises, and the enterprise assets that have been transformed into the form of accumulation will coexist with state assets in value form. After paying tax (income tax) only, the remaining portion of the management returns formed by enterprise assets will still be retained by enterprises. When enterprises cannot fulfill state asset returns, they have to compensate from their own property. When enterprises do not have responsibility property to compensate for the deficits, the debt of state asset returns will not be reduced or exempted on an annual basis. Similar to other debts, this type of debt together with others can cause enterprise bankruptcy. The amount of staff and worker salary and bonus will depend on enterprise results. In order to ensure state asset returns, the state can stipulate the proportion of the enterprise-owned assets to be transformed into the form of accumulation or consumption through legislation. Under this model, rigid constraints of state asset returns can be formed in an all-round manner, and the property and the benefit relationship among various main bodies can also be really smoothed out. It is foreseeable that under the dual-asset structure, the pursuit of enterprise-owned asset maximization will be the primary motive for enterprise behavior. However, this pursuit will not threaten state interests but will be helpful in achieving steady growth of state asset returns. Therefore, we can consider this model as a choice for reform of ownership of state-run enterprises.

Contract System Scores Initial Results
HK090749 Beijing RENMIN RIBAO in Chinese
29 Dec 87 p 1

[Newsletter by reporter Zhao Zhiwen (6392 1807 2429): "Investigation in 20 Cities Shows Fast Development of Contract System"]

[Text] As learned from the State Statistical Bureau, the survey on implementation of the responsibility system in 20 cities, including Beijing, Tianjin, Shanghai, Shenyang, Guangzhou, and Lanzhou, showed that the contract responsibility system in various forms in industrial enterprises had developed rapidly and had achieved initial results.

According to the survey of more than 18,000 industrial enterprises in the 20 cities, by the end of September 1987, 8,000 enterprises had signed management contracts, accounting for 48.6 percent of the enterprises being surveyed. The contract responsibility system has spread more rapidly in Shanghai, Beijing, Guangzhou, Wuhan, Shijiazhuang, Xiangfan, Kaifeng, and Taiyuan. In Shanghai, 1,671 industrial enterprises within the state budget had all signed management contracts; in Guangzhou, 318 out of 349 enterprises within the state budget

had adopted the contract responsibility system; in Shijiazhuang and Xiangfan, 89.7 percent of the enterprises had adopted the contract system; and in Wuhan, 82.3 percent of the enterprises had adopted the contract system.

In these cities, various forms of contracts were signed in light of the different conditions in the enterprises. Incomplete statistics showed that more than 30 kinds of contracts were signed in the 20 cities. Most enterprises adopted contracts in the following forms: For a certain growth rate in profits turned over to the state; for achieving a target in profits turned over to the state; for a base profits figure; for the total profit and tax contributions; for guaranteeing two things and linking with one thing; for guaranteeing several things and linking with several things; for linking wages with profit and tax contributions; for gross profits or total profit-tax contributions; for making profits in enterprises which can make modest profits; and for not exceeding a certain limit of losses or reducing losses in enterprises which have to operate in the red.

As for the entities which undertook the contracts, in some enterprises the contractors are the enterprise leading bodies and in others all workers undertook the contracts. In some cases tenders were invited to undertake the contracts. The management contracts for some small factories were undertaken by large factories, and some small enterprises were leased to individuals.

Although there are many different contract forms, in general, enterprises which are pursuing the contract responsibility system have achieved marked results. First, the contracts add pressure to the enterprises and arouse their initiative. Because the contracts include some clear targets and policies, the initiative of enterprise managers and workers can be more effectively aroused, and the enterprise's potential can more effectively be tapped. In particular, some enterprise managers (in some cases also including workers) have put their personal wealth and salaries as guarantees for the fulfillment of the contracts, thus linking their personal interests with the enterprise's business results. In such cases they have to undertake greater risks and face heavier pressure, and this will more effectively arouse their enthusiasm for increasing production. The survey of 2,172 enterprises under management contracts showed that their total industrial output value in the first 9 months of 1987 increased by 11.9 percent over the same period in 1986, and this was realized mainly through tapping the internal potential of the enterprises. The all-personnel labor productivity of these enterprises rose by 9.4 percent, which was higher than the 8.1 percent average growth rate of all industrial enterprises under whole people ownership throughout the country.

Second, this has promoted the reform of the enterprises' internal management systems. Enterprises which are pursuing the contract system have been reforming their

internal management systems. In some enterprises, contracts were signed between the factory and the workshop, or between the workshop and the work team. Other enterprises have set up internal banks to make the internal economic accounting more effective. Some enterprises adopted an internal lease system, exercised target-cost management to lower the costs and increase returns, and strengthened budgetary management. Still other enterprises adopted piecework wages, made the sum of wages and bonuses float together, and made advances in limiting egalitarianism and rationalizing the distribution relations. Other enterprises have reformed their internal administrative structure and the cadre system, and tried to adopt various forms of democratic management. All this has improved the enterprise business results to different degrees. In the first three quarters of this year the profits made by the 2,172 enterprise under the contract system increased by 9.8 percent over the same period last year, and their product sales taxes increased by 10.9 percent. Both figures were higher than the national average of 8.1 percent and 10.2 percent respectively.

Some problems also occurred in the course of implementing the contract system. For example, the competition mechanism has not been widely included in the contracts; enterprises are still worried about changes in the external environment; similar contract targets were indiscriminately imposed on enterprises under different conditions; and so on. Enterprise leaders in various localities held that the appearance of such problems was understandable, and that they can be solved through in-depth reform.

PRC-Owned Enterprises Active in Hong Kong
HK120950 Hong Kong ZHONGGUO XINWEN SHE
in Chinese 0714 GMT 29 Dec 87

[By reporter Sheng Mei-lan (4141 5019 5695)]

[Text] Hong Kong, 29 Dec (ZHONGGUO XINWEN SHE)—The economic activities of enterprises with Chinese capital in Hong Kong have continuously consolidated and developed this year. Their main characteristics are: Active participation in the submission of tenders for Hong Kong town construction projects; investment in advanced scientific and technological industry; investment in a large amount of real estate; enterprise operation and management becoming more diversified and enterprises actively taking part in public listings on the stock market; and stepping up the raising of funds in the capital market.

The Hong Kong Government this year published many programs for the development of important town construction whose amount of investment reaches several HK\$1 billion, including the Kwai Chung No 7 wharf, the Tai Lo Hill tunnel project, and the program for the development of Hung Hom Bay. Many enterprises, including China International Trust and Investment

Corporation Group, China Resources (Holdings) Company, China Merchants Steam Navigation Company Limited, Yuehai Enterprise (Group) Company, and Yuexiu Company, have organized joint ventures with Hong Kong and foreign financial groups, some of which have already submitted tenders, while others are prepared to vie in bidding. China Overseas Construction and Engineering Company and Guangdong Water Conservancy and Hydroelectric Engineering Company have also participated in a series of Hong Kong Government engineering and construction projects. After contracting for the construction of Tuen Mun Plaza, the construction amount of which reached HK\$300 million, China Overseas Construction Company and B&B Company of West Germany jointly and successfully tendered for the Tin Shui Wai project in Un Long, the construction amount of which reaches some HK\$900 million. This year, Guangdong Water Conservancy and Hydroelectric Engineering Company contracted for the Diamond Hill project, the total construction amount of which reaches some HK\$230 million.

In the real estate market this year, enterprises with Chinese capital have made long-term investment and concluded short-term transactions. Two 27-story office buildings of the China Travel Service Group and the Yuexiu Company for their own use were completed this year. The Cheung Sha Wan warehouse wharf built by China Resources (Holdings) Company was made available to users in October. Hua-shang Hotel, in which China Merchants Steam Navigation Company Limited had invested, opened not long ago. The Bank of China Group has spent HK\$2 billion on the construction of the 70-story Chung-yin Building, which is drawing to an end. The Yuexiu Company has purchased many plots of land to develop hotels and commercial and residential houses. Regarding short-term transactions, Finance Square, situated at the second section of Admiralty in which Everbright Industrial Corporation Group had invested, has already changed hands. China International Trust and Investment Corporation Group is prepared to sell the site for building City Garden Hotel in North Point which it has purchased. Small-scale transactions are innumerable.

When enterprises with Chinese capital invest in industry in Hong Kong, they pay attention to the development of advanced scientific and technological industry. Everbright Industrial Corporation and Lotus Scientific and Technological Development Company of the United States have jointly invested some HK\$500 million in the construction of a plant in Hong Kong for the production of color picture tubes. China Resources (Holdings) Company and a company of mainland China have cooperated in importing a U.S. color picture tube production line and in setting up a production base in Tai Po. The Yuexiu Company has bought half of the shares of Hua-sheng Toy Factory and later some shares of Ya-kang Company, which makes flash lamps and metal products. This year, China International Trust and Investment

Corporation, Hua-min Enterprise Company, and Shanghai Enterprise Company have also respectively invested in precision molds, cartons, packing materials, and so on.

The diversification of enterprise operation and management has been another characteristic of the economic activities of the enterprises with Chinese capital this year. They have bought shares of listed companies, gone public listings through buying shell companies, or gone public listings jointly with Hong Kong companies. They have adopted many forms of raising funds in the stock market to develop business. At the beginning of this year, China International Trust and Investment Corporation Group used approximately HK\$2 billion to buy some shares of Cathay Pacific Airways Limited. Hua-sheng International Company, 50 percent of whose shares are held by Yuexiu Company, was listed on the Hong Kong Joint Stock Exchange in the middle of this year. Yuehai Enterprise (Group) Company bought 80 percent of the shares of Ya-chi Trading Company and has indirectly controlled Union Globe Development Limited, a listed company. Later, it also merged its subordinate New Cathay Hotel into Union Globe Development Limited.

Making use of the Hong Kong financial market to raise funds has become an important way for Mainland China enterprises to collect capital. Since 1985, Mainland China enterprises have issued bonds of HK\$700 million, Asian yen bonds of 10 billion Japanese yen, European dollar bonds of \$50 million, and commercial bills of HK\$250 million in Hong Kong.

Thirteen sister banks under the Bank of China Group have vigorously developed diversified personal financial transaction service of high quality, including foreign currency deposits and investment in gold, shares, and bonds. They have also issued gold master cards. Bank of China has also adopted many forms of loans to support construction in mainland China. It had issued loans of approximately \$90 million in Zhuhai Special Economic Zone alone within 2 years ending July this year. In the October stock plunge, together with the Hong Kong and Shanghai Banking Corporation and Chartered Bank, the Bank of China Group provided stand-by loans totaling HK\$1 billion to vigorously take part in the activities of rescuing the stock market in the hope of stabilizing the Hong Kong financial market.

National Crusade Against Fake Goods Successful
OW120446 Beijing XINHUA in English
0252 GMT 12 Jan 88

[Text] Beijing, January 12 (XINHUA)—China achieved great success last year in its nationwide crusade against fake and falsely labelled commodities.

A total of 785 cases of fake goods, unlicensed business operations and falsely labelled commodities were uncovered in 1987, 2.6 times more than in the previous year, today's "CHINA DAILY" reported.

The paper quoted an official of the Supreme People's Procuratorate as saying that they had taken more than 4 million yuan of illicit money.

The official said that the cases of illegitimate production had been on the rise in recent years. Some fake commodities could even kill, he warned, citing examples of fake foodstuffs, medicines, and liquor that have already claimed lives.

"Nearly 95,000 illegal or fake products have been hunted down and seized during the past 2 years in 21 provinces, autonomous regions, and municipalities," said an official from the China Consumers Association.

The procuratorate official said last year there were 82 serious cases of illegal business operations by state or collectively-owned enterprises and private businesses. The state and collectively-owned enterprises got illicit profits, each exceeding 100,000 yuan, and privately-managed firms, each earning more than 30,000 yuan.

The procuratorate in Shanxi Province, which linked up with local industrial and commercial administrative department in investigating 66 local free markets, uncovered 14 different kinds of fake or falsely labelled commodities bringing in nearly 2 million yuan in 1 week, he said.

He said that greater punishments will be adopted to deal with producers of fake goods this year. All the false labels, once found, will be destroyed and fake goods harmful to health will be destroyed on the spot, he said.

Those commodities which have some value will be stamped "false label" and sold by designated state stores, he said.

Increased Agricultural Production Planned
HK110556 Beijing CHINA DAILY in English
11 Jan 88 p 1

[By staff reporter Nie Lisheng]

[Text] The State has prepared a new package of development plans and incentives to step up agricultural production this year.

The plans call for grain production to surpass the record of 407 million tons set in 1984, according to a senior official of the Ministry of Agriculture, Animal Husbandry and Fisheries.

Since a serious set-back three years ago, the country's grain output has been recovering at an annual rate of 10 million tons. It is expected to reach 400 million tons in 1988.

The sown acreage of grain has been expanded since 1984 and will be protected this year against encroachment by other crops and businesses, said Zhang Shixian, deputy director of the Agricultural Bureau under the ministry. Orchards and fish ponds are not to be created on farm lands.

The State will also raise its purchasing prices for some grain crops, including round-grained non-glutinous rice in North China and corn in South China, Zhang said.

The State's grain purchasing quotas will remain at last year's level of 50 million tons, allowing farmers to sell part of their harvest after fulfilling their supply contracts with the State

For each 100 kilograms of grain contracts, the State will continue to sell farmers six kilograms of fine-quality standard fertilizers and three kilograms of diesel oil. The advance payment will be equal to 20 percent of the sales value of the grain sold to the State.

Plans also call for expanding the sown acreage of cotton and sugar crops. And beginning in the current pressing season, the State is providing farmers with eight yuan in subsidies per ton of sugar-cane and 18 yuan per ton of beets.

According to Zhang, cotton production began to increase last year after two years of decline, rising 13.7 percent to 4 million tons. This year the State will continue to encourage cotton growers by supplying them with 35 kilograms of low-priced standard fertilizer for every 50 kilograms of ginned cotton it purchases.

In 1987 the production of fruit, tea, tobacco, cocoons, and oil-bearing crops all increased, but that of sugar crops and bast-fibre plants dropped, Zhang said.

Grain production increased last year in about 20 provinces, municipalities and autonomous regions. There was a record harvest in nine areas, including Jilin, Anhui, Shandong and Hubei Provinces and the Xinjiang Uygur Autonomous Region.

Much of the grain increase has been the result of wider use of high-yield hybrid crop seeds, Zhang said. Hybrid rice was sown over more than 10.6 million hectares of rice fields, account for 34 percent of the country's total farm land sown with rice last year. Hybrid corn was planted in 15.3 million hectares, or 75 percent of total corn fields.

Besides the further expansion of sown acreages, special efforts have been made to introduce new agricultural techniques, such as the use of plastic field coverings for sprouting during frost season and of the application of potash phosphate fertilizers well mixed with nitrogenous fertilizers and manure.

East Region

Fujian's Chen Guangyi Attends Cadres Meeting *OW112355 Fuzhou Fujian Provincial Service in Mandarin 1100 GMT 8 Jan 88*

[Text] The provincial party committee held a cadres meeting today. The main purpose of the meeting was to relay the important speeches by Zhao Ziyang, general secretary of the CPC Central Committee, during his recent inspection of Fujian.

Wang Zhaoguo and Jia Qinglin, deputy secretaries of the provincial party committee, delivered reports to relay the speeches.

Chen Guangyi, secretary of the provincial party committee, spoke at the meeting. He urged the people throughout the whole province to achieve unity in their thoughts and actions on the basis of the 13th CPC National Congress' guidelines and Comrade Ziyang's important directives, emancipate their minds, strengthen unity, and lift up their spirit.

Comrade Chen Guangyi said: Comrade Ziyang's strategic thinking on speeding up reform, opening to the outside world, and construction should be implemented in coastal areas, the hinterlands and mountainous areas. It should be seriously implemented by all localities for the sake of speeding up reform, opening to the outside world, and developing an export-oriented economy. Reform should be given priority and should dominate the overall situation. We should make bold explorations and conduct experiments ahead of other things. First of all, we should make breakthroughs in the Xiamen Special Zone, the Southern Fujian Open Delta Area, and the open city of Fuzhou, actively explore to gain experience, and gradually popularize the experiences to other parts of the province.

At the meeting, Comrade Chen Guangyi declared that the provincial party committee has decided to make Xiamen a comprehensive pilot zone for reform of economic and political systems, so it is hoped that Xiamen will forge ahead, make bold explorations, and actively blaze new trails.

Comrade Chen Guangyi urged provincial organs, including departments in charge of comprehensive planning, supervisory departments, and management departments, to provide conveniences for expanding the scope of opening to the outside world and deepening reform. He also urged these departments to create favorable environments, and raise the efficiency of services.

Comrade Chen Guangyi stressed: Now we should take up the challenge and strive to catch up. We should not let this rare and favorable opportunity slip by. Nor should we waste our energies on trifling matters. Work organs and departments at all levels, as well as cadres and

masses, should keep in mind the overall situation, unity and development, and trust and support one another. They should refrain from saying or doing anything that might harm unity.

Comrade Chen Guangyi continued: At present, the best and most important action to take in response to the party Central Committee's concern for the work in Fujian is to earnestly study and implement the 13th CPC National Congress' guidelines and Comrade Zhao Ziyang's important directives during his inspection of Fujian. We should turn these into the common will of the people of the whole province and unite them in carrying out reform, opening to the outside world, and engaging in construction.

Attending today's meeting were Fuzhou-based full and alternate members of the provincial party committee; members of the provincial Advisory Commission, the provincial Discipline Inspection Commission, and the Standing Committee of the provincial People's Congress; and vice governors; members of the Standing Committee of the provincial CPPCC Committee; and leading comrades of the provincial military district and PLA units stationed in Fujian. Also attending were leading comrades of departments, commissions, offices and bureaus under provincial jurisdiction; responsible persons of the democratic parties and groups; secretaries of party committees of universities in Fuzhou; secretaries of prefectural and city party committees; and retired veteran comrades at the provincial level. Attendees totalled over 1,100 people.

Jiangsu Again Top Industrial Province *OW120428 Beijing XINHUA in English 0300 GMT 12 Jan 88*

[Text] Nanjing, January 12 (XINHUA)—East China's Jiangsu Province increased its industrial output value 20 percent last year, maintaining its position as top industrial province in the country for the fifth year running.

Its revenue exceeded 10 billion yuan, a 7 percent increase from the previous year, a provincial official said here today.

Six of its 11 cities produced more than 10 billion yuan worth of goods during the year; Suzhou's topped 20 billion yuan, ranking it fourth in the country after Shanghai, Beijing, and Tianjin.

Exports totalled 2.115 billion U.S. dollars, an increase of 23.4 percent over the previous year and the highest since 1974, when the province was empowered to export goods on its own.

The official attributed the good result to economic reforms, decisions to push development in poor areas in the north of the province, and greater reliance on scientific principles to boost the economy.

Jiangsu is using computers on more than 3,000 projects, and has upgraded its light, textile, machinery, chemical, and electronic industries, which generate 86 percent of the province's industrial output value.

Jiangxi's Wan Shaofen Addresses CYL Meeting
OW112344 Nanchang Jiangxi Provincial Service
in Mandarin 1100 GMT 9 Jan 88

[Text] The enlarged meeting of the 2d Plenary Session of the 10th Jiangxi Provincial CYL Committee closed in Nanchang on 8 January.

Wan Shaofen, secretary of the provincial party committee, addressed the meeting.

The meeting's main objectives were to convey the guidelines of the central leading comrade's recent speech on CYL work, of the 6th Plenary Session of the 11th CYL Central Committee, and to make plans for CYL work this year. Attendees urged laying emphasis on the grassroots, and enhancing young people's awareness of making reform. Attendees also urged doing a good job in reforming the CYL itself, promoting CYL work in all areas, leading young people to contribute to speeding up and deepening reform in our province, and to invigorating Jiangxi's economy.

The meeting participants adopted a decision to carry out emulation campaigns on CYL branch work throughout the province. Attendees also commended the best campaign launched by county-level CYL organizations, as well as outstanding full-time CYL cadres, units, and individuals throughout the province.

Wan Shaofen, secretary of the provincial party committee, briefed the meeting on Jiangxi's economic development. He talked with participants about things of greatest concern to grassroots CYL cadres after the 13th CPC National Congress, and about young people's views after introduction of the mechanism of competition into enterprises.

Wan Shaofen hoped that CYL members and young people throughout the province would hold high the banner of the 13th CPC National Congress, display their youthful and dashing spirit, be vanguards in the course of reform, and adhere to the party's basic line. He also hoped that they would be determined to do pioneering work through hard struggle, strive to become talented personnel at their work posts, be bold in setting new styles, make fresh contributions to developing the two civilizations, and build a prosperous Jiangxi in all aspects.

Qingdao City Re-Elects Mayor Guo Songnian
OW111917 Beijing XINHUA in English 1521 GMT
11 Jan 88

[Text] Qingdao, January 11 (XINHUA)—Guo Songnian, 57, has been re-elected mayor of Qingdao, an east China port city, at the first session of the city's Tenth People's Congress.

A 1954 graduate of Qinghua university, Guo previously worked as a technician, engineer and deputy chief engineer in the energy departments of Liaoning and Henan Provinces and the Inner Mongolia Autonomous Region. Later, he was transferred to Qingdao to become deputy director of the city's Energy Supply Bureau.

Guo was named Qingdao's vice-mayor in July, 1980 and first elected mayor in May, 1986.

Shandong 1987 Economic Development Reviewed
SK120946 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 11 Jan 88

[Text] At the press conference sponsored by the provincial party committee and the provincial government on the morning of 11 January, Jiang Chunyun, deputy secretary of the provincial party committee and acting governor of the province, pleasantly declared: In 1987, the province's gross product reached 62.68 billion yuan, the provincial income reached 55 billion yuan, and the total industrial and agricultural output value reached 116.2 billion yuan, respectively increasing 104 percent, 103 percent, and 120 percent over 1980. Thus, the province has fulfilled the first task of the three steps for doubling the province's economy 3 years ahead of time. The majority of the people have enjoyed adequate food and clothing while some of the people have become fairly well-off.

Jiang Chunyun pointed out six special features for realizing the province's first 100-percent increase task.

First, the province ensured a sustained and steady increase in total industrial and agricultural output value. The province's total industrial output value in 1987 showed an increase of 1.82 times over 1978. This is an annual average increase of 12.2 percent. From 1979 to 1985, the province registered an average annual increase of 8.5 percent of agricultural output value. However, the increase rate of agricultural output value slowed down in 1985 and 1986. In 1987, the province extricated itself from the low growth rate and registered an increase of 5.2 percent.

Second, economic results and the economic growth rate basically increased at the same pace. Particularly in 1987, the province scored a notable increase in its industrial production. This made the province stand among the best in the country. Local revenue is expected to reach 7.24 billion yuan in 1987, an increase of 16.8 percent over 1986 and higher than the national average growth rate of 3.8 percent. The province struck a balance between revenue and expenditures with a little surplus.

Third, the reserve strength for economic development was enhanced. From 1978 to 1986, the total investment in fixed assets of state units throughout the province was 12.2 billion yuan, registering an 80 percent increase over the total investment made during the 29 years before 1978. During the Seventh 5-Year Plan period, the state

has arranged 66 key capital construction projects in our province with an investment of 16 billion yuan, ranking first in China. Upon the completion of these projects, the province will be able to increase its output value by 19 billion yuan annually.

Fourth, the province shifted its economic development from a product economy to a planned commodity economy. It was the first time that the province's output value growth rate realized by village industries surpassed that of Jiangsu and Zhejiang Provinces. It was also the first time that the province's village industrial output value surpassed the total agricultural output value. The village industrial output value accounted for one-third of the province's total industrial output value and 50 percent of the newly added industrial output value in 1987.

Fifth, the province gradually shifted its emphasis on economic construction from expansion of production to tapping potential. Over the past 9 years, the province invested more than 12 billion yuan in technological transformation. About 2,000 technological transformation projects were completed and went into operation every year.

Sixth, the province began to change its economy from a closed and semi-closed type of economy to an open economy. In 1987, the province earned foreign exchange through exports totaling 2.97 billion yuan, an increase of 39.1 percent over 1986. Twenty counties and cities whose commodity purchasing volume surpassed 100 million yuan emerged in 1987.

Miao Fenglin, member of the provincial party committee standing committee and director of the Propaganda Department, presided over the press conference. Attending the conference were Mao Zhongchen, Mao Changgui, Tan Qinglin, vice governors of the province; and Zhou Zhenxing, vice chairman of the provincial CPPCC committee.

North Region

Tianjin Congress Committee Meeting Opens
SK120723 Tianjin City Service in Mandarin
2300 GMT 11 Jan 88

[Text] The Standing Committee of the municipal People's Congress held its 40th meeting at its meeting hall on 11 January. Attendees at the meeting discussed the revised draft regulations on the management of collective-run and individual-run mining enterprises at the town-township level. They also heard the report given by (Li Ye), vice chairman of the Legal System Work Committee under the municipal People's Congress Standing Committee, on the explanation of the draft regulations. They also approved the revised draft regulations in this regard and the report on the disposition of motions raised by the deputies at the 6th session of the 10th municipal People's Congress. They discussed and approved the resolution on the partial readjustment of

the municipality's 1987 budget, which was submitted by the municipal people's government. After discussions, attendees adopted the draft agenda of the 7th session of the 10th municipal People's Congress, the draft namelist of the presidium and secretary general of the 7th session, the method of electing deputies to the 7th NPC session, and some personnel changes.

Attending the meeting were Zhang Zaiwang, chairman of the municipal People's Congress Standing Committee; and vice chairmen of the municipal People's Congress Standing Committee, including Bai Hua, Zhao Jun, Liu Zengkun, Yang Jianbai, Han Tianyao, Yu Fujing, and Shi Jian.

Attending the meeting as observers were Li Changxing, vice mayor of the municipality; Wang Yongchen, president of the municipal Higher People's Court; and Zhang Wenrui, deputy procurator of the municipal People's Procuratorate.

The readjustment resolution adopted at the meeting is to readjust the municipal financial revenue budget and the municipal plan for increasing production and practicing economy. The resolution also covers plans for increasing incomes and curtailing expenses to 5,292,170,000 yuan and to readjust the municipal financial expense budget to 3,259,550,000 yuan.

(Li Gengbin) was appointed director of the municipal Supervisory Bureau.

Northeast Region

Heilongjiang Public Security Chief Replaced
SK080212 Harbin Heilongjiang Provincial Service
in Mandarin 1000 GMT 7 Jan 88

[Text] The 31st Standing Committee meeting of the 6th Heilongjiang Provincial People's Congress today adopted a namelist on the appointment and removal of cadres.

Bai Jingfu was appointed director of the Heilongjiang Provincial Public Security Department. Du Dianwu was removed from his post as director of the provincial Public Security Department.

Heilongjiang's Sun Attends Party Style Forum
SK120845 Harbin Heilongjiang Provincial Service
in Mandarin 2200 GMT 9 Jan 88

[Text] Sun Weiben, secretary of the provincial party committee, delivered a report at the forum on building party style in the afternoon of 9 January. He pointed out: In dealing with problems concerning party style in 1988, we will concentrate on conducting reforms and improving the system.

In his report, entitled "Vigorously Study and Pave a New Road of Building Party Style While Conducting Reforms and Opening to the Outside World," Sun Weiben urged party organizations and party-member leading cadres throughout the province to make all-out efforts in the new year to score effective results in building party style. He stated: Under the new situation of conducting reforms and opening to the outside world, the circumstances and conditions of building party style as well as the content and criterion of party style have incurred some changes. Some problems which do not easily crop up under a closed condition have cropped up under opening to the outside world. Some malpractices which were blocked have appeared again. Toward this new state of affairs and these new problems, we should neither adopt the attitude of a closed viewpoint nor one of making simple comparisons of the two situations. We should use the new viewpoint of conducting reforms and opening to the outside world in dealing with the problems concerning party style. In his report, Comrade Sun Weiben emphatically stressed the current tasks of building party style and work, tasks that should be successfully performed now. He stated: As Comrade Xiaoping earlier pointed out, it is necessary to deal with the problem concerning ideology in overcoming the idea that prerogatives and privileges go with position and to deal with the problems concerning systems. We should conduct reforms at an early date in irrational systems which can encourage the intraparty malpractices of seeking personal gain by taking advantage of power and of bureaucracy. Units in the appropriate circumstances should accelerate their pace of conducting reforms. Those that are not should adopt effective measures to impose restrictions on these systems.

In his report Sun Weiben stated: In dealing with problems concerning party style in 1988, we should simply concentrate on conducting reforms and building systems. First, we should speed up commercializing residential housing to deal with the malpractices cropping up in housing distribution. Second, we should conduct reforms in investment systems to centralize various investment funds and to enforce public bidding for all construction items or projects. This would enable us to deal with some problems in which leading personnel can only make a decision on their construction projects after having persuaded their old-partner construction company and in which some localities bribe the construction company. These reforms would also help us deal with malpractice cropping up in investments and reduce the number of construction projects that need to be built on a tight schedule. Third, a good job should be done in operating markets of means of production to promote output increase. At present, the raw materials, transportation, and sales of town-run enterprises are not covered by the state plan. Malpractices are easily committed in these fields. Therefore, we should gradually improve the market mechanism to handle these problems. Fourth, a good job should be done in conducting reforms in the systems of personnel affairs. Fundamentally speaking, we should enforce the system of public recruitment as

soon as possible. In selecting or employing cadres before enforcing this system, we should enhance our work as much as possible in knowing the social background of candidates, opening recruitment to society, and soliciting opinions from the masses so as to block malpractice in personnel affairs. Localities throughout the province should continuously enforce the system of democratic appraisal and of target responsibility. They should improve the system of assessing the party and government cadres at or above the county level. They should also uphold the principle in which cadres are able to assume duties from top to bottom.

In his report Sun Weiben stated: Localities and departments should proceed from their actual situation to speed up reforms and building systems within their areas of jurisdiction. They should work out concrete measures to correct or prevent malpractices. We should in no way adopt simple and random measures to handle complicated problems committed by the enterprises, or problems that cannot be correctly classified or clearly defined by the regulations. We may leave them as they are for the time being. Later on we would work out specific correct policies for handling the problems by gradually delving deep into reality to carry out investigations and study. This would enable us to prevent the occurrence of malpractices on the one hand and would contribute to conducting reforms and opening to the outside world on the other hand.

Sun Weiben's report also put forward measures for discussions on the tasks of enhancing the education on party spirit, style, and discipline; upgrading the political quality of party members; successfully carrying out inner party supervision; and of strictly enforcing party discipline. He also urged the party committees at all levels to put building party style as an important item on their schedules.

Hou Jie, deputy secretary of the provincial party committee and governor of the province, presided over the forum.

Attending the forum were secretaries in charge of building party style from various prefectural and city party committees and secretaries from various prefectural and city discipline inspection commissions, and cadres at or above the department-bureau level of the provincial level organs.

Sun Weiben Speaks at Supervisory Work Forum
SK120751 Harbin Heilongjiang Provincial Service
in Mandarin 1000 GMT 11 Jan 88

[Text] Supervisory organs, which have just been restored and established in our province, have begun their work. These units are stressing the supervision of economic contracts signed with foreign countries.

At the 11 January provincial forum on supervisory work, Sun Weiben, secretary of the provincial party committee, and Hou Jie, provincial governor, delivered speeches one after the other. They extended congratulations on the establishment of the supervisory organs under all levels of governments, and gave great support to comrades engaging in supervisory work. Sun Weiben expressed hope that the supervisory departments will create a good workstyle. He also hoped that each and every supervisor will be competent at their jobs. He said: In 1988, the work of the provincial party committee and the provincial government should be pushed to a new level. Supervisory work should have its authority and should be met with the confidence of the masses.

Hou Jie said: At present, the province's supervisory departments should pay attention to economic contracts signed with foreign countries. Governments at all levels should support the work of supervisory departments. Supervisory departments should work in coordination with the discipline inspection commissions of party committees.

This forum was the first since the establishment of the province's supervisory organs. Leaders of the provincial party committee and the provincial government, including Wang Haiyan, Qi Guiyuan, Bai Jingfu, and Du Xianzhong, also attended the forum.

Jilin's Gao Di Joins in Repairing Park
*SK120935 Changchun Jilin Provincial Service
in Mandarin 2200 GMT 11 Jan 88*

[Report by station reporter (Zhang Tiehui)]

[Excerpts] [passage omitted] On the morning of 11 January, Gao Di, secretary of the provincial party committee, and other leading comrades came to the Changchun City Children's Park to join in the work of removing the bottom silt from the park's lake.

According to statistics compiled by the department concerned, attending the labor activities were more than 3,000 people. Among the participants were members of the provincial party committee, the provincial People's Congress, the provincial people's government, and the provincial CPPCC committee. Also helping out were people from the provincial military district, and the PLA units stationed in Changchun City; and a number of young people.

The 18-hectare Changchun City Children's Park is located in the center of the city. It is an important scenic area of the city and a public entertainment place for children. However, the lake's water pollution was very serious due to mismanagement, against which the masses lodged a great complaint. [passage omitted]

Also helping out were Wang Zhongyu, deputy secretary of the provincial party committee; Gu Changchun, director of the Propaganda Department under the provincial

party committee; Hou Mingguang and Cui Lin, vice chairmen of the provincial People's Congress Standing Committee; and Zhang Fengqi, vice chairman of the provincial CPPCC Committee.

Shenyang Workers Adapt to New System
*OW120414 Beijing XINHUA in English 0147 GMT
12 Jan 88*

[Text] Shenyang, January 12 (XINHUA)—The reform in employment has stirred workers in Shenyang to discard the habit of "eating from the 'iron rice bowl'"—security in employment and egalitarianism in payment.

According to a city official, instead of a permanent job and fixed monthly salary, the contract employment system and piece-rate wages have been put into effect in the city's 60 state-owned large and medium-sized enterprises, as well as in hundreds of smaller ones.

The city's explosive-proof equipment factory became the first industrial business in the country to go bankrupt in 1986. As a result, 30 of its workers lost their jobs.

The former deputy director and a few other workers then started a smelting workshop from scratch. "Though we are working in poor conditions and the job is harder, we are able to support ourselves," said the former deputy director.

One of the workers, Guo Yongshan, after finding a new job after great efforts, said, "I wouldn't like to experience joblessness again. I have learned the lesson that I have to work hard to help invigorate the enterprise in order to secure my job."

When Heping Market declared that it was going to practise the contract employment system its employees were dismayed. But now they have got used to it. "If I perform badly I'll be dismissed. I don't want to lose my job, and this makes me work hard," said one of the staff members.

A survey conducted by the city's Federation of Trade Unions indicates that 70 percent of those surveyed favor the new employment reform. "The breaking of the 'iron rice bowl' stimulates us to work harder than before, but we are paid more as well," said a worker at the water pump plant.

Northwest Region

Xinjiang Holds Regional Party Meeting
*HK111006 Urumqi Xinjiang Regional Service
in Mandarin 1230 GMT 10 Jan 88*

[Text] The 11th enlarged plenary session of the 3d autonomous regional party committee opened today in Urumqi.

Attending the session were Wang Enmao, vice chairman of the CPPCC National Committee and chairman of the autonomous regional Advisory Commission, as well as Song Hanliang, Tomur Dawamat, Li Shoushan, Amudun Niyaz, and Zhang Sixue, leaders from the autonomous regional party committee.

This session is being held in two stages. It will devote the first 3 days to studying and discussing the documents of the 13th National Party Congress. Emphasis will be placed on studying and discussing Comrade Zhao Ziyang's report to the congress for the purpose of deepening the participants' understanding, achieving ideological unity, and strengthening their consciousness of comprehensively implementing the party's line and its general and specific policies. The last 3 days will be devoted to discussing the regional party committee's report to the session in close connection with the spirit of

the 13th National Party Congress. During the last 3 days, the session will also conscientiously summarize and review work done in 1987 and fully discuss tasks to be fulfilled in 1988.

Also attending the session were full and alternate members of the autonomous regional party committee, members of both the autonomous regional Advisory Commission and regional Discipline Inspection Commission, principal leading members from the autonomous regional People's Congress, regional people's government, regional CPPCC Committee, and regional production and construction corps; principal responsible comrades from all prefectures and cities as well as all departments, committees, offices, and bureaus; and a number of veteran comrades. More than 400 people attended the session.

XINHUA on Publisher's Reunification Plan
OW120127 Beijing XINHUA Domestic Service
in Chinese 1650 GMT 9 Jan 88

[Text] Hong Kong, 9 Jan (XINHUA)—Lei Yuqi, responsible person of Taiwan's LEI SHENG [Voice of Thunder] magazine, left for Taiwan tonight after a meeting here with Huang Wenfang, deputy secretary general of the Hong Kong Branch of XINHUA News Agency. He told reporters at the airport that he hopes the people on the mainland and Taiwan will make more contacts, reject confrontation and war, and work for the great cause of motherland unification.

Yesterday's meeting took place at Hong Kong's Lee Garden Hotel. At the meeting, Huang Wenfang listened to Lei Yuqi's views on the question of the reunification of China and explained to him the central authorities' policy of peacefully solving the Taiwan question in accordance with the principle of "one country, two systems." After the meeting Huang Wenfang was interviewed by Chinese and foreign reporters. While briefing reporters on the meeting, he emphasized: "We are willing to hear the views and suggestions of people of all circles on Taiwan with regard to the reunification of the motherland. We will listen to opinions of whomever and be ready to exchange views with them. We also hope that Taiwanese will urge the Taiwan authorities to take concrete actions to promote the realization of the great cause of motherland reunification.

Lei Yuqi told reporters that at the meeting, he exchanged views with Huang Wenfang in a sincere and harmonious [cheng ken he xie—6134 2017 0735 6168] atmosphere.

He said he came to Hong Kong with the belief that China must reunify. He had an extensive exchange of views with Huang Wenfang and will relay them to his friends in all parties and quarters.

Lei Yuqi arrived in Hong Kong on 4 January. Last August he announced in Taiwan a so-called plan of "activities to return the three principles of the people to the mainland." In a letter sent last November to Xu Jiatun, director of the Hong Kong Branch of XINHUA News Agency, he enclosed a letter asking him to pass it on to Deng Xiaoping. In the letter he asked for permission to give lectures on "Taiwan experiences" in major cities of the mainland. The Hong Kong branch of XINHUA News Agency sent a reply to Lei Yuqi on 27 November pointing out that if he is sincere about working for the great cause of motherland reunification, he is welcome to come to Hong Kong for sincere talks on the issue of realizing motherland reunification. His request for so-called "activities to return the three principles of the people to the mainland" is certainly acceptable.

Fujian Sets Up Taiwan Affairs Office
OW111203 Beijing in Mandarin to Taiwan
1500 GMT 8 Jan 88

[Text] In order to promote exchanges between Fujian and Taiwan, to facilitate visits by Taiwanese compatriots who come to Fujian for travel and see relatives, and to protect Taiwanese compatriots' lawful rights and interests, the Fujian Provincial People's Government has decided to immediately set up a Taiwan Affairs Office to handle related business.

The office is located on the compound of the (Pingshang) People's Government in Fuzhou City, Fujian.

Hong Kong

Government Intends To Repeal 'Press Gag' Law

HK110819 Hong Kong HONGKONG STANDARD in English 11 Jan 88 p 1

[By Mathew Leung and Tony Chan]

[Text] The Hong Kong Government intends repealing the controversial press gag law, THE STANDARD has learnt.

It is understood that an internal review would be conducted followed by an "extensive public consultation", before the new Section 27 of the Public Order Ordinance is repealed within two years.

Sources believe the "relatively longer duration" is one way in which the Government could save face, since the law has been in place for less than one year.

The hysterical public backlash following the passing of the law caught the Government and many Legislative Councillors off guard.

Some top Government officials seemed to agree that the price tag of maintaining the law was too high.

The move, they believe, created colossal misunderstandings and fuelled a public outcry far beyond their expectations.

They said current official thinking had concluded that it would not be worthwhile maintaining a harmful and hostile relationship with the media and the public over such a legal provision.

"The Government and some Legco [Legislative Council] members never expected, that in the first place there would be such a big fuss from the public regarding the section," they added.

Two British parliamentarians, Mr Clive Soley and Mr Robert Hughes, said last night there was "some confidence" that should the Legislative Council look at it and the review go ahead there would be no great opposition by the Government to repealing the law.

They were speaking to reporters at the airport after a five-day visit to Hong Kong.

The two MPs said they had met a number of senior Government officials including the Secretary for Administrative Services and Information, Mr Peter Tsao.

Mr Hughes said: "There was no great enthusiasm among officials for the provision to remain the status-quo."

Mr Soley said he got the message during a meeting with Mr Tsao in the early days of his five-day visit, but refused to say what he was told at the meeting.

Commenting on their remarks, Mr Tsao told THE STANDARD the authorities had yet to decide on the time of the review.

"We will not be opposing a review when the appropriate time comes," he said.

Chief Secretary Sir David Ford told THE STANDARD last night the Government's position was very clear. It was monitoring the effect of the new law.

Section 27 of the Public Order Ordinance—generally dubbed the press-gag law — allows for the prosecution of those who are said to have published false news likely to cause public alarm.

At present, some Legco members are organising behind-the-scenes moves to get the Government to abolish the law.

It has been learnt Legco democrats are among the front liners of the movement.

Mr Soley and Mr Hughes are both representatives of the All-Party Parliamentary Group on Human Rights. They ended their visit to Hong Kong yesterday.

Before their departure, they issued a statement that Section 27 of the ordinance should be repealed, which should be done with no further delay.

Since the change had sparked off a political debate, "I thought the people have got into difficulties that may not have been if they have started from the other end," Mr Soley said.

"Having gone through some very useful learning experience for a number of people, I suspect in the long run, most people may be agreeing it (the law) should not be kept as the status quo."

Apart from the concern over the Public Order Ordinance, the MPs said they had also looked into the Vietnamese refugees problem, adding that they would urge London to return to its abandoned quota of taking 40 refugees per month from Hong Kong.

Taiwan Group Cancels PRC Trip Due to Visa Delays

HK110813 Hong Kong HONGKONG STANDARD in English 11 Jan 88 p 1

[By Chan Wai-fong]

[Text] A Taiwan group has cancelled plans to visit China because the Immigration Department has still not approved their applications for entry visas to Hong Kong.

The group, which originally had 31 members, was scheduled to leave Taiwan early last month but was held up because of the delay in their Hong Kong visas.

The group aroused media interest recently because six of its members are former political detainees.

It would have been the first China-bound tour group from Taiwan to have people with sensitive political backgrounds.

Mr He Wen-teh, the group's leader, told THE STANDARD in a telephone interview yesterday that 10 members (of the group) were still in Taiwan while the others had already left.

"The group has already been disbanded. We cannot wait any longer (due to financial difficulties). Many of us are living in very miserable conditions," Mr He said.

Mr He is an ex-soldier and has already been issued with a permit.

However, up to yesterday five members of the group had still not received their visas. One of them is well-known labour activist and journalist Professor Weng Tou.

He is with the CHINA TIMES, one of Taiwan's largest newspapers.

Mr He will abandon the trip if the visas are not issued by next Friday. He was emphatic the group was not politically painted.

"I will not go by myself. I don't know who (the Hong Kong Government, Taiwan or China) is behind this. We are purely on a 'home visit' and have no political motives," he said.

An Immigration Department spokeswoman told THE STANDARD it normally required four to six weeks to process applications for entry visas from Taiwan people.

The 31 members submitted their applications to the Immigration Department on Nov 26 last year.

The immigration office claimed that only in rare cases would the processing time be extended.

According to Taiwan's Ministry of Interior more than 10,000 people have already left for China for family reunions. Another 14,000 will be leaving in the next two months.

The authorities in Taiwan have simplified and speeded up the processing of entry and exit permits to facilitate such trips since the lifting of the ban on China visits in November last year.

However, some "homecomings" have been held up because the Hong Kong authorities require four to six weeks to issue the visas.

The Immigration Department spokeswoman refused to comment on an allegation that the department was the cause of all the trouble.

Journal Notes Progress in Drafting Basic Law
HK081303 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 52, 28 Dec 87 pp 6-7

[Article by Lin Hai (2651 3189): "The Work of Drafting the Basic Law Has Entered a New Stage—An Interview With Deputy Secretary General of the Drafting Committee Lu Ping"]

[Text] The year 1988 will soon be here, and the work of drafting the Basic Law for Hong Kong has entered a new stage. The recently concluded 6th plenary meeting of the Hong Kong Basic Law Drafting Committee has shown that great progress has been made in drafting the Basic Law. The material for the Draft Basic Law for Hong Kong, which was presented to the meeting by the Secretariat of the Drafting Committee, demonstrated that the work of drafting the Basic Law had entered a stage of overall compilation. At the meeting, committee members discussed the draft articles and clauses contained in the Basic Law.

Despite the fact that some draft articles and clauses need further amending, and that members hold divergent views on certain issues, some members from the mainland and Hong Kong told me that the compilation of the draft articles and clauses of the Basic Law symbolized the achievement of the hard work and full cooperation of all of the members of the Drafting Committee over the past 2 years or so. It was encouraging and gratifying.

I interviewed Lu Ping, deputy director of the State Council's Hong Kong and Macao Affairs Office and deputy secretary general of the Hong Kong Basic Law Drafting Committee. During the interview, Lu told me something about the work the Drafting Committee plans to do in 1988 and about some issues that were discussed with some animation at the meeting.

The Main Task in 1988 Is To Shift the Work Focus From Special Groups to an Overall Working Group [subhead]

Lu Ping said: Starting next year, the work focus of the Drafting Committee will be shifted from special groups to an overall working group. The overall working group will consist of a chairman and vice chairmen, the secretary general and deputy secretary general of the Drafting Committee, and heads of various special groups. They will be responsible for collecting, revising, and amending drafts of the Basic Law. On such a basis, they will present the Basic Law draft to the 7th plenary session of the Drafting Committee next April for examination and discussion.

He added: Although the work will be shifted to an overall working group, various special groups will be retained. They will be invited to present revision plans for certain draft articles and clauses. He believed that through consultations and discussions, members of Drafting Committee who hold divergent views will reach a consensus. In particular, there are several divergent articles and clauses for the section on political structural reform. The relevant problems should be further studied. Lu Ping hoped that after the 7th plenary session, the overall working group would produce a presentable draft of the Basic Law. After examination and discussion by the 7th plenary meeting, the activities of soliciting opinions for revision will be widely carried out in Hong Kong and the mainland.

Manifesting Sovereignty and Ensuring a Smooth Transition [subhead]

Lu Ping also told me that the process and methods for the selection of the first chief executive and legislature of the Hong Kong Special Administrative Region [SAR] was animatedly discussed at the 6th plenary meeting.

Lu Ping maintained that while discussing these issues, the principle of manifesting sovereignty and ensuring a smooth transition should be observed. According to a stipulation contained in the Sino-British Joint Declaration, the British Government will return sovereignty of Hong Kong to the PRC Government on 1 July 1997. The selection of the first government should fully observe the principle of sovereignty. After the British Government returns sovereignty of Hong Kong to China, the central people's government of China will transfer a high degree of autonomy to the Hong Kong SAR. A direct transition from the former Hong Kong British Government and legislature to the SAR government and legislature is not permissible.

Since the high degree of autonomy of Hong Kong is vested by the central government, preparatory work for the establishment of the first government should be carried out under the auspices of the central government. Therefore, the proposal submitted by some members that the NPC Standing Committee set up a preparatory committee that includes Hong Kong people in the establishment of the government of the Hong Kong SAR is in accord with the spirit of the Joint Declaration. Again, according to this proposal, this preparatory committee would be responsible for organizing a delegation wholly consisting of people from various circles in Hong Kong. This delegation would select the first chief executive of Hong Kong either through consultation or election. This delegation would also be responsible for constituting the first legislature. This would fully embody the spirit of "Hong Kong people administering Hong Kong" and selecting the chief executive of the Hong Kong SAR by election or through consultations held locally. Lu Ping also stressed that the preparatory committee would not be a shadow government. It would not become the second power center either, because it would only be

responsible for establishing the SAR. Neither would it interfere in the British Government's administration of Hong Kong before 1 July 1997.

Lu Ping continued to say: Of course, it does not mean that we intend to replace all the main officials and members of the legislature of the Hong Kong SAR. On the contrary, we hope that the changes will be as slight as possible. We maintain that civil servants, including foreigners, will retain their former posts, with the exception of a small number of principal officials. As far as principal officials are concerned, according to the Joint Declaration, they shall be nominated by the chief executive. The chief executive should be vested with the power to select his principal officials. It is not advisable to force him to accept the team formed before 1 July 1997 without the slightest change. However, to maintain a highly effective government, he should, first of all, consider candidates with experience in government work. Besides, former members of the Legislative Council can also become candidates of the first legislature of the Hong Kong SAR in 1997. This embodies the principle of smooth transition.

Lu Ping emphasized that it is only after full preparations have been made under the auspices of the preparatory committee that the Hong Kong people can immediately administer Hong Kong after China restores its sovereignty on 1 July without entering a stage of temporary takeover of the territory by the central government. When the first government of the Hong Kong SAR is established on 1 July 1997, the socio-economic system, way of life, and legal system of Hong Kong will remain unchanged. In addition, personnel changes will be very few. Therefore, a smooth transition can be accomplished.

Lu Ping said again: Some Hong Kong friends worry about the conflict between manifestation of sovereignty and a smooth transition. Actually, instead of contradicting or conflicting with each other, they are interrelated. The above-mentioned plan will provide a possibility for such interrelations.

Lu Ping continued: Judging from the discussion at the meeting, members of the Drafting Committee hold identical views on the two main principles of manifesting sovereignty and a smooth transition. However, they might hold divergent views on specific ways of doing things. It does not matter. Discussion can be continued in order to reach a common understanding. He believed that through discussions at the meeting, and consultation outside the meeting, members holding divergent views would inspire and complement each other. They will gradually reach a common understanding.

After 1997, Hong Kong Will Gradually Develop Democratic Politics [subhead]

Lu Ping stressed: We have always agreed that after Hong Kong returns to the motherland in 1997, democratic politics will be gradually developed in the territory. Since we intend to develop democratic politics, partial direct elections cannot be ruled out. Since Hong Kong will pursue capitalism in the future, its state power will be of a bourgeois nature. However, we also hope that the administrative organ of the Hong Kong SAR will include representative figures from various circles. Only thus can the Hong Kong SAR show consideration for the interests of various circles. Lu Ping added that, regarding the development of democratic politics in the Hong Kong SAR after 1997, General Secretary Zhao Ziyang has stated the policy very clearly in his letter dated May 1984 to the students of Hong Kong. This is a consistent policy of the central government. Lu Ping pointed out: With regard to the view of using democracy to resist communism, it is nothing more than trying to make use of democracy to resist the central government. It is not acceptable. The majority of the Hong Kong people will not agree to this either.

In conclusion, Lu Ping said: Over the past 2 years, the Drafting Committee of the Basic Law has done a lot of work. It is now entering a new stage, and our task is still strenuous. Lu Ping stressed: The draft of the Basic Law will be announced in the second quarter of next year. We are planning to spend 5 months on soliciting opinions from various quarters, particularly from various circles in Hong Kong. This is a very important task. The Drafting Committee will spare no effort to accomplish the task well.

Professionals 'Exploiting' Brain Drain Threat
HK110825 Hong Kong HONGKONG STANDARD in English 11 Jan 88 p 10

[Editorial: "Professionals Now Have the Chance To Show Their Grit"]

[Text] The Basic Law Drafting Committee has agreed not to give the post-1997 Special Administrative Region [SAR] government the right to regulate professionals. That is welcome news, not only to professionals but to Hong Kong as a whole.

But there is no reason to be jubilant. The committee does not have the final say. The draft must still go through the consultative process and then go before the National People's Congress, which is China's parliament and which has the final say.

There are various departments, organizations and individuals on the mainland with contrary views about how the future SAR should be organized. Some of these are known to have sought advice or expressed their views at academic institutions abroad.

Part of this stems from ignorance, another part from different interpretations of the term "professional" and the role professionals should play in the system as a whole.

Then there is a third part which Hong Kong's professionals must strive to overcome if bitter conflicts are to be avoided after the transfer of sovereignty.

This is the prejudice among a significant proportion of our professionals towards all professionals from China. Admittedly, standards are different.

But it is also true that good Chinese professionals denied academic jobs in the territory have found places in the West and have proved themselves to be exceptionally competent in their fields. Such prejudices have been with us for a good many years. There are no signs of moderation. If anything, our professionals seem eager to tie up all the loopholes to ensure their mainland counterparts never get a chance to compete with them here.

Some of our professionals are even seen as using the brain drain threat to strengthen the position against mainlanders. Many of those who have emigrated, or are thinking of resettling abroad, are doing so not because their professional status may be in doubt or that someone would fiddle around with standards after 1997.

They are going because they fear post-1997 Hong Kong will not live up to their expectations. Or because they fear communist rule. Reasons which have nothing to do with professional standing or standards.

Mainlanders who see our professionals exploiting this brain drain threat cannot be blamed for this. The fault lies entirely with those of our professionals who have been selfish enough to believe that nothing good ever comes out of China. It is up to our professionals to correct such mistaken views.

There are many areas in which professionals from both sides of the border can assist and learn from each other. Some areas like engineering, architecture and town planning are easier to identify than others.

China is sending some of its professionals to countries such as Singapore to work alongside their counterparts for short spells. There's no reason why this can't be done here on a bigger scale because of our proximity, and because Hong Kong will be an integral part of China in less than a decade.

China's professionals should be made to understand that higher standards generally prevail here. They should also be inspired to aim for similar standards.

But this can only be done on terms of mutual respect. This is still generally lacking, which is why China's professionals and scientists prefer to go to places such as Singapore and the United States than to come to Hong Kong.

There is also a need to look at this issue of regulation more objectively. Just because a government has some say in the regulation of standards does not necessarily lead to a lowering of those standards. The Singapore Government has a hand in just about every professional body which exists there. In those areas which do not impinge upon its political preserves, standards have been maintained if not raised.

Our professionals should also keep in mind that no matter what the Basic Law eventually says, if a government puts its mind to it, it can still interfere with the regulation of professional matters. There are any number of direct and indirect means of getting past the ground-rules. No constitution can provide iron-clad guarantees.

The best guarantee in our circumstances must ultimately be equality and shared aspirations. Those of our professionals who have decided to stay must learn to take the long-term view and work towards this goal.

There has probably been no occasion in the past when Hong Kong's professionals have been given such a great an opportunity as now to play a major role in the modernization of the mainland. Not only in the material aspects, but also in imbuing its billion people with a modern outlook.

Between now and the consideration of the Basic Law Draft by the National People's Congress, those Hong Kong professionals who have already decided to stay should begin to show in a more tangible way that they are prepared to take up this challenge.

For worried professionals this is the safeguard the Basic Law can never provide.

Macao

Governor on Relations With PRC, Hong Kong
HK080258 Hong Kong ZHONGGUO XINWEN SHE
in Chinese 1047 GMT 7 Jan 88

[Text] Macao, 7 Jan (ZHONGGUO XINWEN SHE)—Macao Governor Carlos Melancia said today that an ambassadorial level exchange of ratified documents on the Sino-Portuguese Joint Declaration will be made on 15 January in Beijing. He noted that the postponement of the Portuguese foreign minister's visit to China does not indicate any change in Sino-Portuguese relations.

The Governor of Macao made the above statement upon returning to Macao from Hong Kong at noon today. He had been in Portugal for consultations and to meet President Mario Soares since mid-December.

Melancia said he had met with Hong Kong Governor Sir David Wilson in Hong Kong today and exchanged views with him on relations between Hong Kong and Macao and the implementation of the Sino-British and Sino-Portuguese agreements. The meeting lasted about an hour. Such relations between Hong Kong and Macao will continue and regular contacts between the two sides will be maintained, Melancia said.

The Macao governor disclosed that the line-up of the Sino-Portuguese Joint Liaison Group will be announced next week. He also revealed that a member of the Portuguese University Committee will arrive in Macao this month to take up the post of deputy rector of the University of East Asia.

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